



**YesAsia Holdings Limited**  
**喆麗控股有限公司**

(Incorporated in Hong Kong with limited liability)

**Stock Code : 2209**

**GLOBAL OFFERING**

Sole Sponsor and Sole Global Coordinator

**UOB**KayHian

# IMPORTANT

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



**YesAsia Holdings Limited**

**喆麗控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

## GLOBAL OFFERING

Number of Offer Shares	: 39,540,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 3,954,000 Shares (including 395,000 Employee Reserved Shares) (subject to reallocation)
Number of International Offer Shares	: 35,586,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$3.33 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$3.00 per Offer Share
Stock Code	: 2209

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

**UOBKayHian**

**Joint Bookrunners and Joint Lead Managers (in alphabetical order)**



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents Delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Friday, 2 July 2021 or such later date as may be agreed between the parties, but in any event no later than Thursday, 8 July 2021. The Offer Price will not be more than HK\$3.33 for each Offer Share and is expected to be not less than HK\$3.00 for each Offer Share. Investors applying for our Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.33 for each Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$3.33 for each Offer Share.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may reduce the indicative range of the Offer Price stated above in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, an announcement will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus. If applications for our Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the indicative range of the Offer Price is so reduced. If, for whatever reason, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and us are unable to agree on the Offer Price on or before Thursday, 8 July 2021 the Global Offering will not proceed and will lapse.

Prospective investors of our Hong Kong Offer Shares should note that the Hong Kong Underwriters is entitled to terminate its obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in our Shares commence on the Stock Exchange.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed “Risk Factors” in this prospectus.

28 June 2021

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.yesasiaholdings.com](http://www.yesasiaholdings.com).*

2021

(Note 1)

Hong Kong Public Offering commences . . . . .	9:00 a.m. on Monday, 28 June 2021
Latest time to lodge <b>PINK</b> Application Forms . . . . .	12:00 noon on Wednesday, 30 June 2021
Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> (Note 3) . . . . .	11:30 a.m. on Friday, 2 July 2021
Application lists open (Note 2) . . . . .	11:45 a.m. on Friday, 2 July 2021
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s). . . . .	12:00 noon on Friday, 2 July 2021
Latest time to give <b>electronic application instructions</b> to HKSCC (Note 4) . . . . .	12:00 noon on Friday, 2 July 2021
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Friday, 2 July 2021
Application lists close . . . . .	12:00 noon on Friday, 2 July 2021
Expected Price Determination Date (Note 5). . . . .	Friday, 2 July 2021
Announcement of the final Offer Price, the level of application in the Hong Kong Public Offering, the indication of level of interest in the International Offering, and the basis of allotment of the Hong Kong Offer Shares to be published on our website at <a href="http://www.yesasiaholdings.com">www.yesasiaholdings.com</a> ; and the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before. . . . .	Thursday, 8 July 2021

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## EXPECTED TIMETABLE

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2021  
(Note 1)

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available under a variety of channels as described in the section headed "How to Apply for Our Hong Kong Offer Shares — Publication of Results" in this prospectus including our Company's website at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) from . . . . . Thursday, 8 July 2021

Results of allocations in the Hong Kong Public Offering will be available at the designated result of allocation website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function. . . . . Thursday, 8 July 2021

Despatch/collection of Share certificates of the Offer Shares or deposit of Share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before (Note 6) . . . . . Thursday, 8 July 2021

Despatch/collection of **White Form eIPO** e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (Note 7) . . . . . Thursday, 8 July 2021

Dealings in the Shares on the Main Board expected to commence on . . . . . 9:00 a.m.  
on Friday, 9 July 2021

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.
2. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.

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## EXPECTED TIMETABLE

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3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force at any time between 9:00 a.m. and 12:00 noon on Friday, 2 July 2021, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for Our Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Our Hong Kong Offer Shares — Applying By Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Friday, 2 July 2021, and in any event not later than Thursday, 8 July 2021. If, for any reason, the Offer Price is not agreed by us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before Thursday, 8 July 2021, the Global Offering will not proceed and will lapse.
6. Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their application forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 8 July 2021. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their application forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Our Hong Kong Offer Shares” in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant’s own risk) to the address specified on the Application Form.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for Our Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

7. e-Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

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## EXPECTED TIMETABLE

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

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus. Details relating to how to apply for Hong Kong Offer Shares are set out in the section headed “How to Apply for Our Hong Kong Offer Shares” in this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.*

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## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.*

### OVERVIEW

Established in 1997, we are an online retailer headquartered in Hong Kong which engages in the procurement and sale of third-party branded and unbranded Asian fashion & lifestyle, beauty and entertainment products to customers around the world.

Since the launch of our first E-commerce B2C platform, [www.YesAsia.com](http://www.YesAsia.com)  (formerly known as [AsiaCD.com](http://AsiaCD.com)) (“**YesAsia**”) in April 1998, we have been engaging in the E-commerce retail sales of entertainment products. To adapt to changes in the industry and customers’ demand, we launched [www.YesStyle.com](http://www.YesStyle.com)  (“**YesStyle**”) in July 2006, an E-commerce B2C platform catering for the increasing popularity of Asian fashion & lifestyle products, and particularly Korean beauty products in recent years.

In August 2017, we launched [www.AsianBeautyWholesale.com](http://www.AsianBeautyWholesale.com)  (“**AsianBeauty Wholesale**”), which focuses on customers’ purchase needs for business purposes. We have also been engaged in the offline B2B sales of entertainment products, mainly targeting local entertainment retailers in Japan since February 2002. We have built product and information platforms for Asian culture, fashion and beauty lovers around the world. For the year ended 31 December 2020, we enjoy a total average MAU of approximately 5.9 million from our E-commerce platforms and approximately 1.4 million E-commerce customers. Through our extensive product offerings, targeted marketing initiatives and superior customer service, we have established a growing community where consumer feedback and product information can be constantly exchanged between our customers and suppliers. Being an E-commerce gateway and established entertainment product channel, we maintain a diversified customer base in the US, the UK, France, Australia and Canada, and focus on expanding globally to new geographic markets. For the year ended 31 December 2020, revenue generated from the US, the UK, France, Australia and Canada accounted for 41.9%, 8.5%, 8.3%, 7.0% and 6.3% of our total revenue, respectively, while numbers of customers from these countries accounted for 47.2%, 9.7%, 8.0%, 7.2% and 5.7% of the total number of customers, respectively, for the same year.

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## SUMMARY

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We employ a comprehensive digital marketing strategy that combines various media tools to maximize our exposure to the targeted consumers. In addition to social media marketing, performance marketing and retention marketing, we have also adopted influencer marketing initiatives which capitalize on the broad follower base of influencers and KOLs to enhance our exposure and strengthen customer interactions. We launched our KOL initiative in January 2018, and subsequently our award-winning *YesStyle Influencer Program* in February 2019, which assist *YesStyle* to reach a broader worldwide audience. As at the Latest Practicable Date, more than 150,000 KOLs and influencers from around the world have joined our influencer marketing initiatives, providing us with a broad follower base of millions of users. Revenues generated from our influencer marketing initiatives accounted for 1.2%, 7.9% and 17.4% of the total revenue of *YesStyle* for the three years ended 31 December 2020, respectively. Our *YesStyle Influencer Program* received the “Technology Excellence Award” in September 2020, granted by Hong Kong Business magazine. For more details on our influencer marketing initiatives, please refer to “Business — Marketing — Influencer marketing” in this prospectus.

Our business processes, from supplier selection and procurement to sales and marketing, are highly integrated and responsive to customer needs. We have established our in-house procurement, content creation, IT and fulfillment competencies to provide tailored support that caters to market dynamics efficiently and economically. In particular, we have built local product teams in South Korea, Japan and Hong Kong to source suppliers and products that resonate well with our customers. Our in-house content team creates rich and diverse content through our blog, newsletters and social media accounts, which distills styles and trends and guides our customers along their shopping journey from discovery to purchase. As a technology driven company, our in-house IT team has relentlessly pursued the development of IT technologies and infrastructures to improve our operational efficiency as well as customer experience. Headquartered in Hong Kong, a global logistics hub, we are able to maintain the efficiency of our warehousing, fulfillment and delivery functions at a high level.

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## SUMMARY

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According to the F&S Report, outbreak of COVID-19 has reshaped consumers purchase patterns and facilitated a faster growth in E-commerce B2C sales. We have demonstrated a robust growth riding on such E-commerce popularity. For the year ended 31 December 2020, the number of new customers of our E-commerce platforms were 996,669, which increased by 55.9% as compared to 2019, while the average order size placed to our E-commerce platforms registered an increase of 18.5% as compared to 2019. During the year ended 31 December 2020, we have applied and received (i) a one-off government subsidy of approximately US\$3.1 million, being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, and (ii) a one-off subsidy grant of approximately US\$18,000 provided by the Japanese Government in light of the outbreak of COVID-19. Save for the one-off government subsidies obtained during the year ended 31 December 2020 and the government subsidy of approximately US\$4,000 granted by the Japanese government during the first quarter of 2021 for purchasing equipment for work-from-home arrangement of our Japan office, no other COVID-19 related subsidy has been applied for or received during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that we do not expect to receive further COVID-19 related government subsidy going forward.

### OUR REVENUE MODEL

We are engaged in the procurement and sale of Asian fashion & lifestyle, beauty and entertainment products to global customers. We primarily sell the products through our online platforms, complemented by a portion of sales of entertainment products through our offline B2B sales channel.

Our principal business activities can be divided into two business segments: (i) sales of fashion & lifestyle and beauty products on our *YesStyle* and *AsianBeautyWholesale* platforms; and (ii) sales of entertainment products on our *YesAsia* platform and through our offline B2B sales channel.

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## SUMMARY

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The following table sets forth our business segments during the Track Record Period:

### Fashion & Lifestyle and Beauty Products

#### YESSTYLE

(YesStyle.com and YesStyle mobile app)



**Product Portfolio**

Beauty, clothing, accessories, grooming, footwear, bag, home and lifestyle products

**Customers**

Global retail customers (B2C)

#### abw

(AsianBeautyWholesale.com)



**Product Portfolio**

An extensive selection of beauty products offered on YesStyle, including body care, face care, hand and nail care, makeup and cosmetics, beauty tools and accessories, hair and scalp care, bath and shower essentials, oral care, personal hygiene and sun care

**Customers**

Global business customers (B2B)

### Entertainment Products

#### yesasia.com\*

(YesAsia.com)



**Product Portfolio**

Music CDs and movies, comics, magazines, video games, consoles, books, electronic goods, posters, photo sets, anime goods, collectibles and calendars

**Customers**

Global retail customers (B2C)

#### Offline B2B Sales Channel



**Product Portfolio**

Music CDs, DVDs and Blue-rays

**Customers**

Entertainment retailers in Japan (B2B)

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## SUMMARY

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The following table sets forth the breakdown of revenue by our business segments during the Track Record Period:

	Years ended 31 December					
	2018		2019		2020	
	<i>US\$000</i>	%	<i>US\$000</i>	%	<i>US\$000</i>	%
<b>Fashion &amp; Lifestyle and Beauty</b>						
<b>Products</b>	<b>72,732</b>	<b>85.2</b>	<b>102,838</b>	<b>87.5</b>	<b>163,195</b>	<b>94.2</b>
<i>YesStyle</i>	71,350	83.6	99,830	84.9	157,004	90.6
<i>AsianBeautyWholesale</i>	1,382	1.6	3,008	2.6	6,191	3.6
<b>Entertainment Products</b>	<b>12,632</b>	<b>14.8</b>	<b>14,751</b>	<b>12.5</b>	<b>10,124</b>	<b>5.8</b>
<i>YesAsia</i>	7,599	8.9	5,709	4.8	5,231	3.0
Offline B2B sales channel	5,033	5.9	9,042	7.7	4,893	2.8
<b>Total</b>	<b><u>85,364</u></b>	<b><u>100.0</u></b>	<b><u>117,589</u></b>	<b><u>100.0</u></b>	<b><u>173,319</u></b>	<b><u>100.0</u></b>

As a key revenue contributor, our fashion & lifestyle and beauty products segment has experienced significant growth during the Track Record Period. For the two years ended 31 December 2020, revenues derived from our fashion & lifestyle and beauty products segment grew by approximately 41.4% and 58.7%, respectively, as compared to the previous year. Revenues derived from our entertainment products segment increased by approximately 16.8% for the year ended 31 December 2019, and decreased by approximately 31.4% for the year ended 31 December 2020, respectively, as compared to the previous year.

During the Track Record Period, revenue generated from our offline B2B sale channel remained stable except for the year ended 31 December 2019, primarily due to the increase in bulk purchases placed by our offline wholesale customers and increase in demand for new entertainment products published by a Korean idol group.

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## SUMMARY

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The following table sets forth the breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$000</i>	%	<i>US\$000</i>	%	<i>US\$000</i>	%
<b>Fashion &amp; lifestyle products</b>	<b>39,482</b>	<b>46.2</b>	<b>51,893</b>	<b>44.1</b>	<b>84,192</b>	<b>48.6</b>
<b>Beauty products</b>	<b>33,250</b>	<b>39.0</b>	<b>50,945</b>	<b>43.4</b>	<b>79,003</b>	<b>45.6</b>
— Korean Beauty products	27,289	32.0	42,955	36.6	68,370	39.5
— Others	5,961	7.0	7,990	6.8	10,633	6.1
<b>Entertainment products</b>	<b>12,632</b>	<b>14.8</b>	<b>14,751</b>	<b>12.5</b>	<b>10,124</b>	<b>5.8</b>
<b>Total</b>	<b><u>85,364</u></b>	<b><u>100.0</u></b>	<b><u>117,589</u></b>	<b><u>100.0</u></b>	<b><u>173,319</u></b>	<b><u>100.0</u></b>

Our Directors are of the view that our above industry revenue growth during the Track Record Period when comparing with similar businesses in the industry was contributed by (i) our continuous effort in strengthening our marketing strategy to support customer retention and acquisition and long-term ecosystem development such as engaging influencers and KOLs during the Track Record Period; (ii) our efforts in establishing and building the reputation of our platforms and customer services; and (iii) wider varieties and selections of fashion and beauty products offered by our Group than some of our competitors.

## SUMMARY

The following table sets forth the breakdown of the major countries to which we sold our products for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	Revenue US\$000	Percentage of total revenue %	Revenue US\$000	Percentage of total revenue %	Revenue US\$000	Percentage of total revenue %
United States	28,798	33.8	36,919	31.4	72,693	41.9
European countries						
France	4,045	4.7	8,474	7.2	14,441	8.3
Germany	3,213	3.8	6,124	5.2	9,817	5.6
Spain	907	1.1	1,788	1.5	3,270	1.9
Italy	943	1.1	1,267	1.1	2,190	1.3
Netherlands	1,206	1.4	1,914	1.6	3,040	1.8
Sweden	908	1.1	1,124	1.0	1,423	0.8
Other EU Countries <sup>(1)</sup>	3,366	3.9	5,362	4.5	8,501	4.9
United Kingdom	8,669	10.2	10,191	8.7	14,674	8.5
Australia	9,167	10.7	9,591	8.2	12,074	7.0
Canada	6,996	8.2	9,347	7.9	10,934	6.3
Japan <sup>(2)</sup>	5,388	6.3	9,499	8.1	5,538	3.2
Hong Kong	1,712	2.0	2,110	1.8	3,464	2.0
New Zealand	1,181	1.4	1,406	1.2	1,331	0.8
Singapore	994	1.2	1,049	0.9	1,179	0.7
Others <sup>(3)</sup>	7,871	9.1	11,424	9.7	8,750	5.0
<b>Total</b>	<b>85,364</b>	<b>100.0</b>	<b>117,589</b>	<b>100.0</b>	<b>173,319</b>	<b>100.0</b>

<sup>(1)</sup> Other EU countries include sales to EU countries, such as Belgium, Austria, Finland, Ireland, Denmark, Poland, Czech Republic, Portugal and Hungary, that individually contributed less than 2% of our total revenue during the Track Record Period.

<sup>(2)</sup> Include revenue of approximately US\$5.0 million, US\$9.0 million and US\$4.9 million for the years ended 31 December 2018, 2019 and 2020, respectively, generated from our offline B2B wholesale channel.

<sup>(3)</sup> Others include sales to countries that individually contributed less than 1% of our total revenue during the Track Record Period.

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## SUMMARY

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### KEY OPERATING DATA

The following table sets forth certain of our key operating data including (i) total average MAU, (ii) number of total E-commerce customers, (iii) average order size, (iv) average order amount per customer, (v) number of monthly customers, (vi) acquisition cost per new customer, and (vii) Conversion Rate of our E-commerce platforms during the Track Record Period:

<u>E-commerce platforms</u>	<u>Year ended 31 December</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total average MAU <sup>(1)</sup> (million)	2.9	3.9	5.9
Number of total E-commerce customers <sup>(2)</sup>	677,828	936,611	1,388,281
Average order size <sup>(3)</sup> (US\$)	63.5	61.4	72.8
Average order amount per customer (US\$) <sup>(4)</sup>	119.6	117.9	119.8
Number of monthly customers <sup>(5)</sup>	56,485	78,050	115,690
Acquisition cost per new customer <sup>(6)</sup> (US\$)	7.5	7.9	7.1
Conversion Rate <sup>(7)</sup> (%)	1.7	1.7	1.4

*Notes:*

- (1) Total average MAU across all E-commerce platforms of the Group.
- (2) A person is considered as a customer on our E-commerce platform of a certain date if the first invoice of his/her/its order has been issued within the reporting period. A person who made his/her/its purchases on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform and any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers.
- (3) Average order size equals total order amount divided by number of orders (excluding canceled orders). Total order amount represents purchase amount paid by our customers for the value of products purchased, and before indirect tax payment, effects on foreign exchange, post-sale order refund and adjustments, and other accounting adjustments.
- (4) Average order amount per customer equals total order amount divided by number of total E-commerce customers.
- (5) Number of total customers of our E-commerce platforms during the year divided by number of month of the year.

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## SUMMARY

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- (6) Marketing and promotion fees per new customer across all E-commerce platforms of the Group. A new customer is a customer if the first invoice of his/her/its first ever order has been issued within the reporting period. A guest visitor who made his/her purchase during different reporting period without specific customer identification data are accounted as a new customer for each of the reporting period. As advised by our Industry Consultant, the calculation adopted by us in measuring our acquisition cost per new customer is in line with the industry practice.

Our acquisition cost per customer remains relatively stable during the Track Record Period.

- (7) The number of visitors used in the calculation of Conversion Rate is based on Google Analytics.

### OUR STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- established E-commerce platform with global reach;
- loyal and engaged customer base drives virtuous cycle in our business ecosystem;
- proven global E-commerce sales channel for Asian product suppliers;
- innovative and effective marketing strategy to support customer retention and long-term ecosystem development; and
- seasoned management team and diverse corporate culture.

### OUR STRATEGIES

To achieve our mission, we intend to pursue the following strategies:

- reinforce our marketing strategies to boost our customer base and enhance customer loyalty;
- increase our global penetration to build stronger brand awareness;
- deepen our positioning as a Korean beauty product gateway;
- enhance our customer experience through further investment in IT systems and in-house-produced original content; and
- optimize and expand our logistics network and infrastructure.

### OUR CUSTOMERS

Our E-commerce customers generally consist of end customers or small-size businesses who may locate our websites via search engines, third-party social media platforms or advertisements on other websites. We enjoy a diverse customer base. For the three years ended 31 December 2020, revenues from E-commerce customers amounted for approximately 94.1%, 92.3% and 97.2%, respectively, of our total revenues for the same years.

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## SUMMARY

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Our offline B2B customers mainly comprise Japan local entertainment retailers. For the three years ended 31 December 2020, our revenues from offline B2B customers accounted for approximately 5.9%, 7.7%, and 2.8%, respectively, of our total revenues for the same years.

### OUR SUPPLIERS

During the Track Record Period, we typically sourced products from suppliers comprising brand owners and resellers in Asia and North America, directly or through other third-party E-commerce platforms. During the Track Record Period, our major product suppliers were generally based in South Korea and China. For the year ended 31 December 2020, we spent approximately 53.8% and 35.0% of our total purchase amount to suppliers based in South Korea and China, respectively.

### USE OF PROCEEDS

The aggregate net proceeds that we expect to receive from the Global Offering (after deducting underwriting commissions and incentive fees and estimated expenses in connection with the Global Offering) will be approximately HK\$93.5 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$3.165 per Share, being the mid-point of the Offer Price range stated in this prospectus.

Our Directors intend to apply the net proceeds from the Global Offering as follows:

<u>Amount of the estimated net proceeds</u>	<u>Intended use of net proceeds</u>
Approximately HK\$50.5 million (representing 54.0% of net proceeds)	Increase our marketing efforts for customer acquisition and retention
Approximately HK\$18.8 million (representing 20.1% of net proceeds)	Enhance our platform content and IT capabilities and create satisfactory user experience to promote benefits and uniqueness of Korean beauty and fashion products
Approximately HK\$15.0 million (representing 16.1% of net proceeds)	Expand our logistics fulfillment capacity and enhance our warehouse efficiency
Approximately HK\$9.2 million (representing 9.8% of net proceeds)	General working capital

For further details, see the section headed “Future Plan and Use of Proceeds.”

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## SUMMARY

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### SUMMARY FINANCIAL INFORMATION

The summary of our historical financial information sets forth below has been derived from and should be read in conjunction with our audited consolidated financial statements, including the accompanying notes set forth in the Accountant’s Report included in Appendix I to this prospectus, as well as the information in the “Financial Information” section included in this prospectus.

#### Summary Consolidated Statement of Profit or Loss

	Year ended 31 December		
	2018	2019	2020
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Revenue	85,364	117,589	173,319
Cost of sales	(56,297)	(79,941)	(111,448)
Gross profit	29,067	37,648	61,871
Other income and other gains and losses	110	105	3,150
Selling expenses	(9,980)	(14,946)	(21,563)
Administrative expenses	(14,366)	(18,279)	(29,704)
(Impairment losses)/reversal of impairment losses for trade receivables	–	(21)	10
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	–	(99)	10
<b>Profit from operations</b>	4,831	4,408	13,774
Finance costs	(6)	(138)	(336)
<b>Profit before tax</b>	4,825	4,270	13,438
Income tax expense	(833)	(901)	(2,218)
<b>Profit for the year</b>	3,992	3,369	11,220

Our gross profit increased by approximately US\$24.3 million from approximately US\$37.6 million for the year ended 31 December 2019 to approximately US\$61.9 million for the year ended 31 December 2020, representing an increase of approximately 64.6%. Our gross profit margin increased from approximately 32.0% for the year ended 31 December 2019 to approximately 35.7% for the year ended 31 December 2020. The increase in gross profit and gross profit margin were primarily due to (i) the increase in revenue as a result of the increase in demand of our fashion & lifestyle and beauty products, partially offset by impact of the one-off indirect tax; (ii) the increase in percentage of revenue generated from our fashion & lifestyle and beauty products during the year ended 31 December 2020 as compared with the year ended 31 December 2019 as the gross profit margin of our fashion & lifestyle and beauty products was higher than our entertainment products; and (iii) the optimization of our pricing formulas during the year ended 31 December 2020 which resulted in an increase in our selling prices and profit margins. Further, during the year

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## SUMMARY

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ended 31 December 2020, the total foreign exchange effects reflected in our revenue (including the effects of our setting of internal foreign currency rates over the prevailing market rates, and their differences with the corresponding average foreign exchange rates during the reporting period) increased by approximately US\$3.1 million from approximately US\$3.0 million during the year ended 31 December 2019 to approximately US\$6.1 million during the year ended 31 December 2020, representing an increase of approximately 103.3%. For details in relation to the fluctuations in our exchange rate, please refer to the section headed “Financial Information — Factors Affecting Our Financial Results — Fluctuation in our exchange rate” in this Prospectus.

Our profit for the year decreased from approximately US\$4.0 million for the year ended 31 December 2018 to approximately US\$3.4 million for the year ended 31 December 2019, primarily due to (i) the increase in selling expenses and administrative expenses, partially offset by the increase in gross profit; and (ii) the impact of one-off indirect tax recorded during the year ended 31 December 2019. Our profit for the year increased from approximately US\$3.4 million for the year ended 31 December 2019 to approximately US\$11.2 million for the year ended 31 December 2020, primarily due to (i) the increase in revenue, (ii) the increase in procurement from resellers in PRC in relation to our fashion products which generally entailed a lower level of cost margin, and (iii) the one-off government subsidy income of approximately US\$3.1 million, being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, partially offset by one-off expenses such as Listing expenses.

Our profit for the year was approximately US\$4.0 million, US\$3.4 million and US\$11.2 million for the three years ended 31 December 2020, respectively, representing net profit margin of approximately 4.7%, 2.9% and 6.5% for the same years, respectively.

### **Non-HKFRS measures**

For the year ended 31 December 2020, we recognized the Listing expenses as a non-recurring item.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profit for the year as non-HKFRS measures.

## SUMMARY

The table below sets forth the adjusted net profit during the Track Record Period:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Adjusted net profit</b>			
Profit for the year	3,992	3,369	11,220
Adjusted for:			
— Listing expenses	—	—	2,109
Adjusted net profit for the year	<u>3,992</u>	<u>3,369</u>	<u>13,329</u>

Excluding the Listing expenses, our profit for the year ended 31 December 2020 would be approximately US\$13.3 million (non-HKFRS measures), representing adjusted net profit margin (non-HKFRS measure) of approximately 7.7%.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring items which are considered not indicative for evaluation of the actual performance of our business. The adjusted net profit margin is not a measure of performance under HKFRS. This non-HKFRS financial data is a supplemental financial measure that is not required by, or presented in accordance with, the HKFRS and is therefore referred to as a “non-HKFRS” financial measure. We believe these non-HKFRS measures are a more accurate indication of our profitability and operating performance for the year ended 31 December 2020. However, these non-HKFRS measures should not be considered in isolation or construed as an alternative to net profit or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS. The use of non-HKFRS measures has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. Potential investors should be aware that these non-HKFRS measures presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

### Selected Financial Information from Our Consolidated Statements of Financial Position

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Total current assets	19,636	28,447	45,175
Total non-current assets	1,357	5,010	18,202
Total current liabilities	12,029	19,594	30,198
Total non-current liabilities	165	1,054	10,725
Net current assets	7,607	8,853	14,977
Total equity	8,799	12,809	22,454

## SUMMARY

### Selected Financial Information from Our Consolidated Statements of Cash Flow

	Year ended 31 December		
	2018	2019	2020
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Net cash generated from operating activities	4,719	9,700	20,135
Net cash used in investing activities	(755)	(1,684)	(2,292)
Net cash used in financing activities	(829)	(877)	(6,489)
Net increase in cash and cash equivalents	3,135	7,139	11,354
Effect of exchange rate changes	(24)	(62)	172
Cash and cash equivalents at beginning of year	6,550	9,661	16,738
Cash and cash equivalents at end of year	9,661	16,738	28,264

### Key Financial Ratios

	Year ended 31 December		
	2018	2019	2020
	%	%	%
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup>	34.1	32.0	35.7
Net profit margin <sup>(2)</sup>	4.7	2.9	6.5
Return on equity <sup>(3)</sup>	45.4	26.3	50.0
Return on total assets <sup>(4)</sup>	19.0	10.1	17.7

	As at 31 December		
	2018	2019	2020
	<i>Times</i>	<i>Times</i>	<i>Times</i>
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup>	1.6	1.5	1.5
Quick ratio <sup>(6)</sup>	1.3	1.2	1.2
	%	%	%
<b>Capital adequacy ratio</b>			
Gearing ratio <sup>(7)</sup>	2.5	24.1	64.5

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## SUMMARY

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*Notes:*

1. The calculation of gross profit margin is based on gross profit divided by revenue for the year and multiplied by 100%.
2. The calculation of net profit margin is based on net profit divided by revenue for the year and multiplied by 100%.
3. The calculation of return on equity is based on net profit for the year divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on net profit for the year divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities at the end of the year.
6. The calculation of quick ratio is based on current assets less inventories divided by current liabilities at the end of the year.
7. The calculation of gearing ratio is based on total debt (lease liabilities, finance lease payables and bank borrowing) at the end of the year divided by net assets at the end of the year and multiplied by 100%.

Please see the section headed “Financial Information — Key Financial Ratios” for descriptions of the above ratios.

### PRE-IPO INVESTMENTS

The below table summarizes the principal terms of the Pre-IPO Investments:

	<u>Series A Preferred Shareholders</u>	<u>Series B Preferred Shareholders</u>	<u>Series C Preferred Shareholders</u>
Cost per Preferred Share paid	US\$1.0000	US\$2.1869	US\$0.6309
Conversion ratio of Preferred Shares to Shares	1:20	1:23.467	1:10
Date of the agreement(s)	29 July 1999	10 April 2000	21 February 2006
Date on which investment was fully settled	July–December 1999	April–June 2000	February–June 2006
Total number of Preferred Shares issued	1,060,000	5,487,273	3,566,334
Discount to the Offer Price ( <i>on an as-converted basis</i> ) <sup>(1)</sup>	Approximately 87.8%	Approximately 77.2%	Approximately 84.6%

*Note:*

- (1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$3.165 per Share, being the mid-point of the indicative Offer Price range of HK\$3.00 to HK\$3.33, on the basis that 395,390,790 Shares are expected to be in issue immediately upon completion of the Global Offering (on the basis that all of the Preferred Shares are converted into Shares and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

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## SUMMARY

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### SHAREHOLDERS' STRUCTURE

#### Our Controlling Shareholders

Immediately following completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme), Mr. Lau and Ms. Chu will be directly holding 118,412,980 Shares (on an as-converted basis) and 29,235,550 Shares (on an as-converted basis) respectively, representing approximately 29.95% and 7.39%, respectively of the then issued share capital in the Company. Accordingly, Mr. Lau and Ms. Chu are our Controlling Shareholders.

None of our Controlling Shareholders nor any of our Directors was, as at the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

#### PRE-IPO SHARE OPTION SCHEME

Our Company adopted a Pre-IPO Share Option Scheme on 2 June 2005 (amended and restated on 24 June 2010 and 28 June 2018) (the “**2005 Pre-IPO Share Option Scheme**”) under which the Pre-IPO Options to subscribe for our Shares were granted to employees, directors, advisors and consultants of our Group. The 2005 Pre-IPO Share Option Scheme was expired in 2015. The terms of the 2005 Pre-IPO Share Option Scheme allow the options to have a maximum exercise period (i.e. the Option Term) of ten (10) years from the date of grant of the respective options. It is further provided in the terms that all outstanding options granted prior to the expiration of the scheme would remain effective, and the expiration of the 2005 Pre-IPO Share Option Scheme would not result in the termination of any options already granted. Therefore, so long as the underlying options were granted before the expiration of the scheme, such options would remain exercisable for ten (10) years from the grant date. For more details of the 2005 Pre-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

Our Company adopted a second Pre-IPO Share Option Scheme on 30 June 2016 (amended and restated on 28 June 2018 and 30 June 2020) (the “**2016 Pre-IPO Share Option Scheme**”) under which the Pre-IPO Options to subscribe for our Shares were granted to employees and directors of our Group. For more details of the 2016 Pre-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

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## SUMMARY

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### POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme under which options to subscribe for our Shares were granted to certain Directors, senior management members and employees of our Group. For more details of the Post-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

### DIVIDEND AND DIVIDEND POLICY

No dividend was paid or declared by our Company during the Track Record Period.

In future, declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

### LISTING EXPENSES

Assuming the Offer Price of HK\$3.165 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the total amount of expenses in relation to the Listing are estimated to be approximately US\$4.1 million including the underwriting commission and other listing expenses and fees. The expenses in relation to the Listing shall be borne by our Company, of which approximately US\$2.1 million and US\$1.2 million was and will be charged to our Group’s profit and loss for the year ended 31 December 2020 and the year ending 31 December 2021, respectively, and approximately US\$0.8 million of its estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard after Listing for the year ending 31 December 2021. The total expenses for the Listing represents approximately 25.3% of the gross proceeds from the Global Offering, based on the mid-point of the proposed Offer Price range and the above estimated total expenses for the Listing.

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### OFFER STATISTICS

Market capitalisation upon Listing	HK\$1,186,172,370 to HK\$1,316,651,330 (assuming the Over-allotment Option is not exercised at all)
Number of Offer Shares	39,540,000 Shares (assuming the Over-allotment Option is not exercised at all)
Offering structure	35,586,000 Shares for the International Offering and 3,954,000 for the Hong Kong Public Offering (including 395,000 Employee Reserved Shares) (assuming the Over-allotment Option is not exercised at all and no reallocation takes place)
Offer Price per Share	HK\$3.00 to HK\$3.33
Board lot	1,000 Shares
Unaudited pro forma adjusted consolidated net tangible assets per Share ( <i>note</i> )	HK\$0.736–HK\$0.767

*Note:* Please refer to Appendix II headed “Unaudited pro forma financial information” to the prospectus for further details regarding the assumptions used and the calculation methods.

### TAXATION AND RELATED ARRANGEMENTS

It has become increasingly common for relevant tax authorities to impose value-added tax (“VAT”)/goods and services tax (“GST”)/sales tax (collectively, “indirect tax”) collection and payment obligations on product or service vendors which do not have physical presence in their respective jurisdictions over time. In June 2019, *YesStyle.com Limited* (“*YesStyle*”) was notified by the Australian Taxation Office of *YesStyle*’s requirement to be registered for GST retrospectively from 1 July 2018 due to the introduction of new GST law in Australia. The case was closed in December 2019 upon the registration and payment of historical GST by *YesStyle*. We subsequently engaged indirect tax consultant to provide professional tax review and consulting services with respect to our indirect tax compliance obligations for our E-commerce businesses.

As advised by our Indirect Tax Consultant, among the jurisdictions under review, *YesStyle* and *YesAsia* (as the case may be) had non-compliance issues according to the latest applicable indirect tax laws and regulations in certain jurisdictions and have subsequently performed the requisite tax registrations and arranged for settlement of the historical indirect tax payments in the U.S., Australia, Switzerland and New Zealand where *YesStyle* and *YesAsia* are required to collect and remit indirect tax for our E-commerce retail transactions.

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## SUMMARY

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The aggregate amount of indirect tax payment exposure to the Group for our E-commerce retail transactions for the two years ended 31 December 2020 was approximately US\$2.4 million<sup>(1)</sup> and US\$2.2 million, respectively. The interest and penalty for late sales tax payment for the two years ended 31 December 2020 were US\$0.2 million<sup>(1)</sup> and US\$0.1 million, respectively.

The aggregate amount of U.S. state and local indirect tax exposure, interest, and penalty was approximately US\$4.2 million for our E-commerce retail transactions during the two years ended 31 December 2019 and for the nine months ended 30 September 2020<sup>(2)</sup>.

The aggregate amount of indirect tax exposure was approximately US\$0.4 million for our E-commerce retail transactions in Australia during the period from 1 July 2018 to 31 March 2019 upon agreement with the Australian Taxation Office.

Further, the aggregate amount of indirect tax exposure and interest was approximately US\$0.2 million and US\$0.2 million for our E-commerce retail transactions in Switzerland and New Zealand, respectively, during the two years ended 31 December 2019 and for the eight months ended 31 August 2020<sup>(3)</sup>.

As advised by our Indirect Tax Consultant, as at 19 April 2021, we have fully settled all *YesStyle* and *YesAsia*'s outstanding indirect tax liabilities (including interest and penalty) in the U.S., Australia, Switzerland and New Zealand, respectively, and we are compliant in all material aspects with the indirect tax rules in the remaining jurisdictions under review where we conduct our E-commerce retail and wholesale transactions. We do not expect to be subject to further late payment of indirect tax, interest or penalty imposed by the relevant tax authorities associated with (i) the sales to the U.S. market incurred during the two years ended 31 December 2019 and for the nine months ended 30 September 2020, and (ii) the sales to Australia, Switzerland and New Zealand markets incurred during the two years ended 31 December 2019 and for the eight months ended 31 August 2020.

For further details, see the section headed "Business — Taxation and Related Arrangements."

*Notes:*

- <sup>(1)</sup> Including the indirect tax, interest and penalty liabilities of approximately US\$193,000 and US\$18,000 respectively for E-commerce retail transactions took place during the year ended 31 December 2018.
- <sup>(2)</sup> We started collecting state and local sales tax from our E-commerce retail customers in the U.S. since the implementation of the whitelist process from 1 July 2020 and after the completion of the relevant tax registration procedures in the relevant U.S. states before 30 September 2020.
- <sup>(3)</sup> We started collecting indirect taxes from our E-commerce retail customers in Australia in July 2019 and in Switzerland and New Zealand since the implementation of the whitelist process from 1 July 2020 and after the completion of the relevant tax registration procedures before 31 August 2020.

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## SUMMARY

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### NON-COMPLIANCE INCIDENTS

During the Track Record Period, we have failed to file notification forms with the Inland Revenue Department of Hong Kong within the prescribed time limit in relation to commencement and cessation of employment of relevant employees. For further details, see the section headed “Business — Regulatory Compliance.”

### RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- the E-commerce industry is highly competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our financial conditions and results of operations;
- our failure to successfully gauge customers’ taste and trend in the changing industry conditions and maintain a large variety of product portfolio may have a material and adverse effect on our business, financial condition and results of operations;
- we may have difficulties in managing our marketing efforts and may face increased competition in our marketing efforts, which could materially and adversely affect our business and growth prospects;
- the growth of our business operation and prospects largely depend on the continuous popularity of and trends in Korean popular culture, and our ability to anticipate, gauge and respond to them; and
- our business depends substantially on the continued efforts of our key personnel and, our business may be materially and adversely affected if we are unable to attract, train and retain qualified personnel.

You should read the entire “Risk Factors” section in the prospectus carefully.

### RECENT DEVELOPMENT AND IMPACT OF COVID-19

#### Impact of COVID-19 during the Track Record Period

The COVID-19 pandemic has caused an adverse impact on the global economy. Nevertheless, we were still able to achieve 47.4%, 64.3% and 233.0% increase in our revenue, gross profit, and net profit in the year ended 31 December 2020, respectively, as compared with 2019, primarily due to a reshaped consumers purchasing pattern and an increasing growth in E-commerce B2C sales driven by the COVID-19 pandemic.

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## SUMMARY

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There were certain disruptions to our business operations during the first quarter of 2020, including temporary suspension to the manufacture of fashion & lifestyle products in the PRC, and interruptions to logistics services provided by our couriers. As the market started to recover from COVID-19 in the second quarter of 2020, the negative impacts of the pandemic on us gradually diminished and we achieved significant growth in our revenue and gross profit in the year ended 31 December 2020. Nevertheless, the extent to which the COVID-19 outbreak may continue to adversely affect the macro-economic environment as well as our business, results of operations and financial condition, and our future performance will depend on future developments, including the duration, severity and reach of the COVID-19 outbreak, and actions taken to contain the outbreak or mitigate its impacts. See “Risk Factors — Risks Relating to Our Business and Industry — Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.”

Assuming that our operation would be fully suspended since May 2021, and considering our bank and cash balances, prudent estimates of settlement of account and other receivables and payment of account payables based on historical settlement pattern, and bank borrowings as at 30 April 2021, and on the basis that (i) no revenue or cost of sales will be incurred; (ii) continual incurrence of our selling expenses commitment such as marketing tool and software subscription and other IT networking expenses; (iii) continual incurrence of administrative expenses to maintain minimal operations of our E-commerce platforms and marketing tools functioning, and payment for retained employee salaries and office rentals; and (iv) net proceeds from the Global Offering designated for general working capital (representing 9.8% of the net proceeds), our Group is expected to maintain sufficient working capital until March 2022.

### **Effects of the COVID-19 outbreak after the Track Record Period**

Our business operations and cost structure remained stable after the Track Record Period and up to the Latest Practicable Date, despite the continuous impact of COVID-19. The outbreak of COVID-19 has materially affected the global economy. It has also created challenges across the industry as a result of disruptions in business operations and logistics arrangements due to unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns which have been re-implemented by the local governments during and subsequent to the Track Record Period, in regions and countries which are related to our business operations, including Hong Kong, Japan and South Korea, as well as key countries where we derive our revenue from, such as the United States, the United Kingdom, Australia, Canada and EU. As a result, according to the F&S Report, the global GDP and the GDP in our key countries including the US, the U.K., Canada, Australia, France, and Germany decreased by approximately 3.5%, and 3.4%, 10.0%, 5.5%, 2.9%, 9.0% and 5.4%, in 2020, respectively. However, with the local governments' continuous effort in pandemic control, the decline is also expected to be temporary. The global GDP and the GDP in our key countries including the US, U.K., Canada, Australia, France and Germany are expected to increase by approximately 5.5%, and 5.1%, 4.5%, 3.6%, 3.5%, 5.5% and 3.5% in 2021, respectively, as a result of the gradual recovery after the outbreak of COVID-19.

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## SUMMARY

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According to F&S Report, despite the outbreak of COVID-19 pandemic, online retail sales of beauty and fashion products in countries including the US, the UK, Australia, Canada and France increased in 2020 and the growth is expected to continue in global market in the future, due to (i) the changes in shopping behaviour from purchasing through brick-and-mortar stores, to purchasing online, and (ii) customers being more cautious on staying in public areas in order to avoid crowds and the inconvenience of offline shopping. For details, please refer to “Industry Overview — COVID-19 Impact on the Industry and the Group’s Major Product Segment.”

Subsequent to the Track Record Period, our Directors are of the view that the outbreak of COVID-19 worldwide has not had any material adverse impact on our business, results of operations and financial condition:

- ***Product sales***

As of the date of this prospectus, we did not experience any material cancellation of orders, with respect to all of our products, from our customers. Sales of our fashion & lifestyle, beauty and entertainment products recorded continuous growth in the first four months of 2021 due to our increasing number of orders.

Based on our unaudited management accounts, our revenue and gross profit increased by approximately 58.5% and 55.3%, respectively, during the four months ended 30 April 2021, as compared with the same period in 2020. In addition to the reshaped consumer purchase pattern from offline to online under the global pandemic, our Directors believe that such increase can be further attributed to (i) the continuous growth in our fashion & lifestyle, as well as beauty product segment; (ii) the increase in the market demand of our fashion & lifestyle, as well as beauty products, which normally have higher profit margins as compared to other products, (iii) the removal of indirect tax impact to the financial result of the Group since our collection of the applicable amounts from our customers starting in July 2020, and (iv) our advertising and promotional initiatives launched since 2020.

- ***Supply chain***

Governments across the world have taken various measures to manage cases and reduce potential spread and impact of infection. In countries including South Korea and the PRC, there have been no material supply disruption by our product suppliers subsequent to the Track Record Period, as the restrictions did not generally apply to cross-border land transportation, cargo flights or overseas freight forwarding service providers engaged by our suppliers.

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## SUMMARY

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- ***Business operation***

Due to the outbreak of COVID-19, our Group has implemented work-from-home policy and special working hour arrangement. We have also adopted enhanced public hygiene and precautionary measures as well as supplied personal cleansing and protective products to our employees within the office area. In light of the measures taken, our Directors believe that there has been no material adverse impact to our business operations since the outbreak of COVID-19.

- ***Logistics and fulfillment***

The operating hours of our warehouse divisions had not been affected subsequent to the Track Record Period and up to the Latest Practicable Date. However, despite that there was no material supply disruption encountered subsequent to the Track Record Period as a result of COVID-19, the outbreak had resulted in upward revision of our freight-out cost and reduced number of available logistics suppliers, and we were able to pass on such increase to our customers without any material adverse impact on our operations and financial performance. Due to the increased logistics costs, we removed the free standard shipment option for our customers in certain countries and increased the minimum transaction amount per order for free shipping since April 2020 and May 2020, respectively, to ensure that the orders could be fulfilled within a reasonable period of time. To the best knowledge of our Directors, during the four months ended 30 April 2021, there were no material changes to the Group's shipping arrangements as compared to the Track Record Period. Local transportation and logistics services in Hong Kong have also remained in operation subsequent to the Track Record Period.

- ***Expansion plan***

Our Directors believe that the COVID-19 outbreak does not have any material adverse impact to our expansion plan. In view of the continuous transition of consumer consumption through online retail channels and the increasing industry competition, we have stepped up our marketing efforts, to further promote our E-commerce platforms to our new and existing customers. We have registered continuous growth in the number of orders in the four months ended 30 April 2021, and will prepare for the expansion of our logistics and fulfillment functions in 2021.

For details of our financial performance amid the outbreak of COVID-19 pandemic, please refer to “Business — Impact of COVID-19” of this prospectus for details.

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## SUMMARY

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Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2020 and there has been no event since 31 December 2020 which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus.

Excluding our Listing expenses, our profit for the year ending 31 December 2021 is expected to decrease when comparing with our profit for the year ended 31 December 2020, mainly due to the one-off government subsidies received during the year ended 31 December 2020.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“A\$” or “Australian dollar”	Australian dollars, the lawful currency of Australia
“Application Form(s)”	the <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s), <b>GREEN</b> Application Form(s) and <b>PINK</b> Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 13 March 2021 and effective on the Listing Date, as amended or supplemented from time to time
“BIS”	The U.S. Department of Commerce’s Bureau of Industry and Security
“BIS List”	The U.S. Department of Commerce’s Bureau of Industry and Security’s Entity List, Denied Parties List, or List maintained by the U.S. Department of Commerce
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CHF”	Confoederatio Helvetica Franc, the lawful currency of Switzerland

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	YesAsia Holdings Limited (喆麗控股有限公司), a company incorporated with limited liability in Hong Kong on 11 March 2005, or, where the context requires (as the case may be), its predecessor, YesAsia.com, Inc. (formerly known as Asia CD, Inc.), a company incorporated in California, the United States on 18 December 1997, and except where the context indicates otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries or (as the case may be) their predecessors
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, refers to Mr. Lau and Ms. Chu
“Deed of Indemnity”	a deed of indemnity dated 24 June 2021 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed “Statutory and General Information — E. Other Information — 2. Deed of Indemnity” in Appendix IV to this prospectus
“Deed of Non-Competition”	a deed of non-competition undertaking dated 24 June 2021 provided by Mr. Lau and Ms. Chu (in their capacities as our Controlling Shareholders) in favour of our Company (for itself and as trustee for our subsidiaries) relating to certain non-competition undertakings given by Mr. Lau and Ms. Chu
“Directors” or “our directors”	the directors of our Company
“EAR”	The U.S. Export Administration Regulations

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## DEFINITIONS

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“Eligible Employee(s)”	any full-time employee of our Group who joined us on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address; (c) is not a Director or the chief executive of our Company or our subsidiaries or a close associate of such Director or chief executive; (d) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (e) is not any other connected persons of our Company
“Employee Reserved Shares”	the 395,000 Offer Shares (representing approximately 1.0% of the initial number of our Offer Shares) being offered for subscription pursuant to the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
“Employment Preferential Offering”	the offer of the Employee Reserved Shares for subscription by the Eligible Employees at the Offer Price (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the <b>PINK</b> Application Form, as further described in the section headed “Structure and Conditions of the Global Offering — The Employee Preferential Offering” in this prospectus
“EU”	the European Union
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“FSE List”	The list of Foreign Sanctions Evaders maintained by OFAC, which sets forth individuals and entities that are determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran, and are prohibited to transact with U.S. persons or within the United States but whose assets/property interest are not subject to blocking
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Service Limited

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## DEFINITIONS

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“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Counsel”	Mr. Clay Huen, barrister-at-law of Hong Kong, who is an Independent Third Party
“Hong Kong Offer Shares”	the 3,954,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the conditional offering of our Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong and upon the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 25 June 2021 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders, and UOB Kay Hian (Hong Kong) Limited as the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor and the Hong Kong Underwriters, further information on which is set forth in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus

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## DEFINITIONS

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“independent third party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of Listing Rules) any Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Internal Control Consultant”	RSM Consulting (Hong Kong) Limited
“International Offer Shares”	the 35,586,000 Shares being initially offered for subscription under the International Offering together with any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Offering”	the conditional offering of our International Offer Shares for and on behalf of our Company outside the United States in offshore transactions in reliance on Regulation S, including to professional, institutional and other investors in Hong Kong, as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Sanctions”	All applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the EU and its member states, UN or Government of Australia
“International Sanctions Legal Advisors”	Hogan Lovells, our legal advisors as to International Sanctions laws in connection with the Listing
“International Underwriters”	the international underwriters for the International Offering, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into among our Company, our Controlling Shareholders, and UOB Kay Hian (Hong Kong) Limited as the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or around the Price Determination Date

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## DEFINITIONS

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“Investors’ Rights Agreement”	the investors’ rights agreement entered into between our Company and the Pre-IPO Investors on 25 April 2000, as amended and restated as at 2 June 2005 and as amended and restated as at 22 February 2006
“Joint Bookrunners”	UOB Kay Hian (Hong Kong) Limited, Anuenue Securities Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited, ICBC International Capital Limited, Soochow Securities International Brokerage Limited and VMS Securities Limited
“Joint Lead Managers”	UOB Kay Hian (Hong Kong) Limited, Anuenue Securities Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited, ICBC International Securities Limited, Maxa Capital Limited, Soochow Securities International Brokerage Limited, VMS Securities Limited and Valuable Capital Limited
“Latest Practicable Date”	19 June 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around Friday, 9 July 2021, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM
“Mr. Lau”	Mr. Lau Kwok Chu, one of the founders of our Group, an executive Director, the chief executive officer and one of our Controlling Shareholders

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## DEFINITIONS

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“Ms. Chu”	Ms. Chu Lai King, one of the founders of our Group, an executive Director, chair of the Board and one of our Controlling Shareholders
“NZ\$”	New Zealand dollars, the lawful currency of New Zealand
“OFAC”	The U.S. Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final price per Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$3.33 per Offer Share and expected to be not less than HK\$3.00 per Offer Share of which the Offer Shares are to be offered for subscription pursuant to the Global Offering, to be determined as further disclosed in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Offer Price Range”	HK\$3.00 to HK\$3.33 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Over-allotment Option”	the option that may be granted by our Company to the Sole Global Coordinator pursuant to which our Company may be required to issue up to aggregate of 5,931,000 additional Shares at the Offer Price, to cover, among others, over-allocations in the International Offering, further information on which is set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally approved and adopted by our Company on 13 March 2021, particulars of which are set out in “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 2. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC” or “China”	People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Preferred Shareholders”	the holders of any Preferred Shares from time to time

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## DEFINITIONS

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“Preferred Shares”	the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares
“Pre-IPO Investment(s)”	the Pre-IPO investments in the Company undertaken by the Pre-IPO Investors pursuant to the respective share purchase agreements, details of which are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	the Series A Preferred Shareholders, the Series B Preferred Shareholders and the Series C Preferred Shareholders
“Pre-IPO Share Option Schemes”	YesAsia Holdings 2005 General Stock Option Plan and YesAsia Holdings 2016 General Stock Option Plan, being the two pre-IPO share option schemes of the Company approved and adopted by the Company on 2 June 2005 and 30 June 2016, respectively, particulars of which are set out in “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 1. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus
“Price Determination Date”	the date, expected to be on or about Friday, 2 July 2021 on which the Offer Price is to be determined, or such other date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, but in any event no later than Thursday, 8 July 2021
“Primary Sanctioned Activity”	Any activities in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation

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## DEFINITIONS

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“Relevant Persons”	means the Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares
“Relevant Regions”	Afghanistan, Balkans (including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, North Macedonia, Romania, Serbia and Slovenia), Cote d’Ivoire (Ivory Coast), Democratic Republic of the Congo, Egypt, Eritrea, Haiti, Iran, Iraq, Lebanon, Libya (Libyan Arab Jamahiriya), Mali, Myanmar/Burma, Nicaragua, Russia (excluding Crimea region), Somalia, Tunisia, Ukraine (excluding Crimea region), Venezuela and Crimea region
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing as described in “History, Reorganization and Corporate Structure — Reorganization” and “Statutory and General Information — A. Further Information about our Company and its subsidiaries — 4. Our corporate reorganization” in Appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed “Statutory and General Information — A. Further Information about our Company and its subsidiaries — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Sanctioned Countries”	Any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related laws or regulation of the Relevant Jurisdiction, namely Cuba, Iran, North Korea, Syria, and the Crimea Region of Russia/Ukraine
“Sanctioned Person”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia

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## DEFINITIONS

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“Sanctioned Target”	any person or entity (i) (designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SDN”	individuals and entities that are listed on the SDN List
“SDN List”	The list of Specially Designated Nationals, and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus sutra that Relevant Jurisdiction
“Series A Preferred Shareholders”	the holders of Series A Preferred Shares
“Series A Preferred Shares”	the series A preferred shares of the Company, being 1,048,405 shares of which have been issued and are held by the Series A Preferred Shareholders
“Series B Preferred Shareholders”	the holders of Series B Preferred Shares
“Series B Preferred Shares”	the series B preferred shares of the Company, being 5,164,737 shares of which have been issued and are held by the Series B Preferred Shareholders
“Series C Preferred Shareholders”	the holders of Series C Preferred Shares
“Series C Preferred Shares”	the series C preferred shares of the Company, being 3,381,629 shares of which have been issued and are held by the Series C Preferred Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

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## DEFINITIONS

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“Share Option Schemes”	the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Split”	the subdivision of one Share of the Company into ten Shares of the Company pursuant to the resolutions passed by our Shareholders on 9 June 2021, the details of which are set out in “History, Reorganization and Corporate Structure — Corporate Establishment and Development and Major Shareholding Changes of Our Group” and “Statutory General Information — A. Further Information about our Company and its Subsidiaries” in Appendix IV to this prospectus
“Sole Sponsor” or “Sole Global Coordinator”	UOB Kay Hian (Hong Kong) Limited
“sq.m.” or “m <sup>2</sup> ”	square metre
“SSI List”	The list of the Sectoral Sanctions Identifications parties maintained by OFAC, which sets forth entities designated by OFAC in Russia’s energy, financial and/or defence sectors that are subject to more limited, sectoral, sanctions imposed under one or more OFAC Directives that prohibit certain (but not all) dealing with U.S. persons or within the United States
“Stabilising Manager”	UOB Kay Hian (Hong Kong) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Mr. Lau and the Stabilising Manager on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“The First Founding Investor”	the first investor who provides the seed funding for a start-up company
“Track Record Period”	the three financial years ended 31 December 2018, 2019 and 2020
“U.K.”, “UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

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## DEFINITIONS

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“U.S.”, “US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“U.S. Trade Representative”	the Office of the United States Trade Representative
“UN”	the United Nations
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US Legal Advisors”	Gamma Law, Professional Corporation, our legal advisors as to US laws
“US\$” or “USD”	United States dollar, the lawful currency of the United States
“VSD”	Voluntary self-disclosure
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“ <b>White Form eIPO</b> ”	the application for Hong Kong Offer Shares to be registered in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <i>www.eipo.com.hk</i>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

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

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## DEFINITIONS

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*Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option and do not taking into account any Shares which may be allotted and issued upon the exercise of any outstanding options granted or which may be granted under the Share Option Schemes.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “\*” and are provided for identification purposes only.*

*If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains certain explanations and other terms used in this prospectus in connection with our Group and/or its business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.*

“A/B testing”	a user experience research methodology which consists of a randomized experiment with two variants, A and B, and is a way to compare two versions of a single variable, typically by testing a subject’s response to variant A against variant B, and determining which of the two variants is more effective;
“AI”	artificial intelligence, the intelligence demonstrated by machines, as opposed to the natural intelligence displayed by humans and animals;
“Android”	an operating system developed and maintained by Google Inc., used in touchscreen technology including, smartphones and tablets;
“API”	application programming interface, a computing interface which defines interactions between multiple software intermediaries;
“B2B”	business-to-business;
“B2C”	business-to-consumer;
“cloud”	a term referring to accessing computer, information technology and software applications through a network connection, often by accessing data centers using wide area networking or Internet connectivity;
“Conversion Rate”	the percentage of visitors to a website who complete a desired goal, such as making a purchase, out of the total number of visitors. The number of visitors is generated from <i>Google Analytics</i> ;
“CRM”	customer relationship management, a process that allows a company to manage and analyze its own interactions with its past, current and potential customers, to improve customer relationships, increase customer retention and drive sales growth;
“DDoS”	distributed denial-of-service, an attack that targets websites and online services, which aims at overwhelming them with more traffic than the server or network can accommodate to render such website or service inoperable;

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## GLOSSARY OF TECHNICAL TERMS

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“E-commerce”	electronic commerce, the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet, whose business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer or consumer-to-business;
“E-commerce customer”	a person is considered as a customer on our E-commerce platforms of a certain date if the first invoice of his/her/its order has been issued within the reporting period. A person who made his/her/its purchases on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform and any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers;
“IDS”	intrusion detection system, a device or software application that monitors a network or systems for malicious activity or policy violations;
“Influencer”	a person or organization who has a purported expert level of knowledge or social influence in their field to affect the purchasing decisions of others, we define influencer as person or organization enrolled with our <i>YesStyle Influencer Program</i> , who normally has less than 100,000 followers;
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in devices adopting Apple Inc.’s touchscreen technology, including iPhones, iPods and iPads;
“IoT”	the internet of things, a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers (UIDs) and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction;
“IT”	Information technology, the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data;
“KOL”	key opinion leader, a person or an organization who has expert product knowledge and influence in a particular field, who is trusted by relevant interest groups and has significant effects on consumer behaviour, we define KOL as person or organization we facilitate collaboration with, who normally has more than 100,000 followers;

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## GLOSSARY OF TECHNICAL TERMS

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“load balancing”	the process of distributing a set of tasks over a set of resources, with the aim of making their overall processing more efficient;
“MAU”	<p>monthly active user data is extracted from Google Analytics, the computation method and basis of which have not been verified. The data could be overlapping:</p> <ul style="list-style-type: none"><li>(a) between app users and website users — if the same user uses the <i>YesStyle</i> app and uses other device(s) for browsing the <i>YesStyle</i> website at the same time;</li><li>(b) for website users — if the same device is used to browse our websites through different browsers or if the user uses incognito mode to browse our websites; and</li><li>(c) for <i>YesStyle</i> app users — if the user re-installs the <i>YesStyle</i> app on the same device or amends the advertising ID of its device in the same month.</li></ul> <p>The information for the same period can be changed at different points of time when capturing the data as Google Analytics performs the analysis on a sampling basis. According to Google Analytics, “Active User” is defined as the unique user who initiated sessions on the website or App within the selected date range.</p>
“Repeat Customer”	a customer is considered to be a repeat customer if he/she/it is registered with our platforms, and two or more orders are made under his/her/its account as at that date;
“Single Customer View”	a method for gathering all the data about prospects and customers, and merging it into a single record by consolidating every piece of information about the customers in one centralized location, thereby getting an overview of every action they performed;
“SKU”	stock keeping unit, which is a unique code consisting of letters and numbers that identify characteristics about each product, such as manufacturer, brand, style, color, and size, and is used to identify and track inventory, or stock;
“SSL”	secure sockets layer, a standard security technology for establishing an encrypted link between a server and a client to keep the internet connection secure and safeguarding any sensitive data that is being sent between the two systems, preventing criminals from reading and modifying any information transferred, including potential personal details;

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## GLOSSARY OF TECHNICAL TERMS

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- “WAF”                      web application firewall, a specific form of application firewall that filters, monitors, and blocks HTTP traffic to and from a web service;
- “VAT” or “GST”            value-added tax, known in some countries as a goods and services tax, is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds”. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- the regulatory environment as well as the general industries outlook for the industries in which we operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

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## FORWARD-LOOKING STATEMENTS

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Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risk factors and uncertainties set out in “Risk Factors”.

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

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## RISK FACTORS

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*An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial information and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.*

*We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in Hong Kong; and (iii) risks relating to the Global Offering.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**The E-commerce industry is highly competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our financial conditions and results of operations.**

The E-commerce industry is subject to intense competition, which is particularly true with respect to our core business, being the online retail of fashion & lifestyle, beauty and entertainment products. See the section headed “Business — Competition”. Consumers have many choices from both online and offline channels, including global, regional and local retailers. Our potential competitors are mainly: (i) global and regional E-commerce companies, including horizontal E-commerce companies who sell a range of diversified products to a broad base of customers with the primary advantage of convenience, and vertical E-commerce companies that focus on industry-specific marketing approaches and sell products in certain industries, and (ii) traditional retailers in key regions, namely the U.S., the UK, Canada, Australia, France, and Germany, with product offerings covering fashion and beauty products through both physical retail stores and online channels, if any. In the future, we may also face competition from new entrants, consolidations of existing competitors or companies spun off from our larger competitors.

We face a variety of competitive challenges, including:

- sourcing products efficiently and economically;
- identifying new and emerging brands and maintaining relationships with those brands or their business partners;
- competing for and retaining high quality suppliers;
- pricing our products competitively;

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## RISK FACTORS

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- facilitate efficient and economic warehousing, fulfillment and delivery arrangement;
- maintaining the quality of our services;
- anticipating and responding quickly to changing consumer demands and preferences;
- developing new features to enhance the customer experience on our platforms;
- international markets expansion;
- acquiring new customers and retaining existing customers;
- conducting effective marketing activities and maintaining favorable recognition of our brands, websites and products; and
- navigating the rapidly evolving IT system.

If we cannot properly address these challenges, our business and prospects would be materially and adversely affected. In addition, factors beyond our control such as imposition of or increase in taxes or tariffs, fluctuations of exchange rates or general economic downturns could also lower our profitability under the competition pressure, which would materially and adversely affect our business, financial condition and results of operations.

Some of our current and potential competitors have significantly more established brands, or better financial, sourcing, marketing, operational or other available resources than we do. In addition, other E-commerce retailers may be acquired by, received investments from or entered into strategic relationships with well-established and well-financed companies or investors, which would help enhance their competitive positions. Certain of our competitors may be able to secure more favorable terms with suppliers and third-party service providers, devote greater resources to marketing campaigns, adopt more aggressive pricing or inventory policies and allocate substantially more resources to website and system development and enhancement. New and enhanced technologies may also increase the competition in the E-commerce industry. Increased competition may negatively affect our business development and brand recognition, which may in turn affect our gross and operating margins and market share. We may not be able to compete effectively against our competitors, and competitive pressure may have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**Our failure to successfully gauge customers' taste and trend in the changing industry conditions and maintain a large variety of product portfolio may have a material and adverse effect on our business, financial condition and results of operations.**

The E-commerce industry is subject to changing consumer preferences and industry conditions, in particular for our core product categories of fashion & lifestyle, beauty and entertainment products. Our success largely depends on our ability to consistently gauge tastes and trends and provide a balanced assortment of goods that satisfies customer demands in a timely and cost effective manner. We do not enter into any long-term contracts with our customers. Our future growth depends on our ability to continue to attract new customers as well as to increase the number of Repeat Customers and the order size of each customer. Consequently, we must stay abreast of the emerging fashion & lifestyle, beauty and entertainment products as well as the consumer trends. This requires timely collection of market feedback, accurate assessments of market trends and deep understanding of the industry dynamics. Should our customers change their shopping behavior or we fail to offer appealing goods with attractive price, our business results of operations and financial condition may be materially and adversely affected. We must also maintain relationships with existing suppliers who can adapt to fast-changing consumer preferences, and source new suppliers who can offer appealing products. If any of our existing suppliers cannot meet the market demands effectively, we will have to switch to new suppliers, which may be more costly and time-consuming. We may overestimate customer demand, face increased procurement expenditures without a corresponding increase in sales and incur inventory write-downs, which will adversely affect our results of operations.

If we fail to adapt to the changes, identify trends, or offer appealing products on our platforms, our customers may visit less often or even stop visiting our platforms. If we do not anticipate, identify and respond effectively to consumer preferences or changes in consumer trends at an early stage, we may not be able to generate our desired level of sales. Failure to properly address these challenges may materially and adversely affect our business, financial condition and results of operations.

**We may have difficulties in managing our marketing efforts and may face increased competition in our marketing efforts, which could materially and adversely affect our business and growth prospects.**

We may have difficulty in managing our marketing efforts as our business expands. We currently have presence on an array of mainstream social media platforms, including *Instagram*, *Facebook*, *Pinterest*, *Twitter* and *YouTube*, to ensure continuous and comprehensive customer exposure. If the overall traffic of any of these third-party marketing channels decreases, the traffic volume of our website may be consequently affected. We cooperate with advertising publishing partners such as major search engines and affiliate networks for traffic enhancement, as well as brand partners to launch beauty box tailor-made for our platforms. In addition, we implement our own *YesStyle Elite Club* membership program and *YesStyle Friend Rewards* program to retain our existing customers. However, given the rapid changes of digital advertising, consumer preferences, the development of new forms of digital marketing and the different forms

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## RISK FACTORS

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of social media in each of our target countries and regions, we may have difficulties in adapting our marketing techniques quickly and we may not sustain our customer acquisition rates, which may have a material and adverse effect on our business prospects.

As we rely on major social media around the world to generate traffic to our platforms, we are subject to various rules, regulations and requirements, regulatory or otherwise, governing social media activities, which could change or be reinterpreted to make it difficult or impossible for us to comply. While we have internal control policies in place to monitor the content we upload to the social media platforms, and ensure compliance with the policies of these social media platforms, we cannot guarantee that our accounts will not be hacked, blocked or banned, or these social media platforms will not come across disruptions which could lead to system interruptions, website slowdown or unavailability, delays in transaction processing or loss of data. As a result, we may not be able to continue to attract or maintain interactions with our customers. Additionally, as the social media platforms we currently use do not charge us any fees for opening and operating our corporate user accounts, these social media platforms may start to implement fees relating to the use of all or part of the features under our accounts, which may raise our operational costs and lower our profit margins overtime.

Further, we launched our KOL initiative and “*YesStyle Influencer Program*” in January 2018 and February 2019, respectively, enabling us to cooperate with KOLs and influencers on different platforms to further understand customer demand, expand our reach to consumers, and promote the sales of our products. As at the Latest Practicable Date, more than 150,000 KOLs and influencers from around the world have joined our influencer marketing initiatives. The effectiveness of our marketing strategies relies on our ability to select appropriate influencers and KOLs to promote our products. During the Track Record Period, we had not encountered any material difficulties in recruiting influencers and KOLs. However, there is no assurance that we will be able to maintain our co-operations with influencers and KOLs who have broad follower bases in view of the growing competition in the industry. Our ability to retain new popular influencers and KOLs, or maintain cooperation with our existing influencers and KOLs is not within our control. If our competitors’ relevant marketing effort are more aggressive than ours, it may result in our influencers and KOLs engaging in exclusive collaboration with them instead of us, and the overall growth in our traffic and customer base could slow down or even decline. Furthermore, given the rapid changes of the digital marketing, we cannot guarantee you the KOL and influencer marketing will sustain the customer acquisition advantages, which could materially and adversely affect our business and operating results. There is also no assurance that the effectiveness of promotions to be conducted by our influencers and KOLs will sustain or continue to enhance. We sourced our influencers and KOLs through our own channels and did not engage any external agencies for such purpose during the Track Record Period. As such, should we fail to retain or recruit appropriate KOLs and influencers and incentivize them to promote products on our platforms, our revenue generated from our marketing initiatives via influencers and KOLs may decrease, and our business performance may be adversely affected.

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## RISK FACTORS

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In addition, negative or inaccurate reports, postings or comments on social media or websites about our influencers and KOLs we collaborate with could generate negative publicity that could damage the reputation of our Group, and as such our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, we have established an in-house content team to create article, picture and video content on fashion, beauty, celebrity style, and lifestyle topics on a daily basis, which extends the time our visitors spend viewing our website and social media accounts. Creating high quality content on a cost-effective basis is challenging due to the intense competition for web traffic among websites, and some of our competitors may have significantly more content personnel, or may have out-sourced their content production department to specialized third party service providers, which provide competitive advantages in terms of operational efficiency and cost-effectiveness. If we fail to deliver to customers with contents that are superior to those provided by other E-commerce platforms, we could lose traffic and customer base, and our revenue may decline.

### **Our net returns generated from marketing activities may decline due to growing competition in the industry**

Our business environment is rapidly evolving and competitive. We utilize various marketing approaches to support our customer acquisition and retention metrics, including influencer marketing, social media marketing, performance marketing and retention marketing. For the three years ended 31 December 2020, our marketing and promotion fees amounted to approximately US\$3.6 million, US\$5.1 million and US\$7.1 million, respectively. We cannot assure you that our marketing activities will enable us to successfully promote our brands and products or achieve our sales targets. The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, or not be appeared at all, resulting in a slower or no revenue growth which does not fully reflect the sales and marketing activities spending incurred. We may not be successful in identifying trends in consumer preferences and introducing products that respond to such trends in a timely manner. We also may not be able to effectively promote products on our platforms by our marketing and advertising campaigns and gain market acceptance.

Meanwhile, competition may cause our competitors, some of which are of substantially larger operational scale than us, to substantially increase their advertising and promotional activities. We cannot guarantee that our marketing efforts will be sufficient to compete with our competitors. An increase in competition could require us to continue to increase our promotion and advertising expenses for retaining our market share, which might place pressure on our margins and affect our profitability. If the results of our marketing activities fail to meet our expectation, or if we fail to conduct the marketing activities as planned, there will be a decline in net returns from our marketing activities. As such, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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## RISK FACTORS

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**The growth of our business operation and prospects largely depend on the continuous popularity of and trends in Korean popular culture, and our ability to anticipate, gauge and respond to them.**

Our business is heavily dependent upon Korean popular culture enthusiasts' continuous demand of beauty, apparel, entertainment, gadgets, electronics and other retail products. The popularity of such products is often driven by Korean dramas, shows, movies, pop music, fashion trends and other Korean culture influences. We cannot assure you that the Korean popular culture will continue to sustain and grow in the future, especially among the millennial and Gen Z. If Korean pop culture is not able to sustain in the future, our business and growth prospects may be materially and adversely affected.

In addition, the market for, and appeal of, particular types of Korean music, movies, shows, artists, actors, styles, trends and brands are constantly changing and evolving. Our failure to anticipate, identify and react promptly to the changing trends and preferences of customers could lead to, among other things, decrease in the number of visitors to our platforms and failure to generate our desired level of sales, which may materially and adversely affect our business.

**Our business depends substantially on the continued efforts of our key personnel and, our business may be materially and adversely affected if we are unable to attract, train and retain qualified personnel.**

Our business is supported and enhanced by a team of highly skilled employees who are critical to maintaining the quality and consistency of our business and reputation. Our future success depends, to a significant extent, on the continued efforts of our key personnel, especially our founders, and our ability to attract, train and retain qualified personnel, particularly management, technical, marketing and other operational personnel with expertise in the fashion & lifestyle, beauty and entertainment industry in various geographic locations. If one or more of them were unable or unwilling to continue their employment with us, we might not be able to replace them in a timely manner, or at all.

Since the E-commerce industry is characterized by high demand and intense competition for talent, we can provide no assurance that we will be able to attract or retain key personnel, qualified staff or other highly skilled employees who may assist us to achieve our strategic objectives. We may incur additional expenses to recruit and retain qualified replacements. In addition, our ability to train and integrate new employees into our operations may not meet the demand for our business growth on a timely fashion, or at all. If we are unable to attract, train and retain qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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Most of the key personnel has entered into an employment agreement with us, which contains confidentiality and non-compete provisions. However, if any dispute arises between our key personnel and us, we may be involved in associated legal proceedings and may not be able to enforce these confidentiality and non-compete provisions. As a result, we may suffer from losing valuable customers, suppliers, partners and know-how, in some case to our competitors, and our business may be materially and adversely affected due to the loss of one or more members of our core management.

**Our historical growth due to the shift of purchase habits from offline to online and the one-off government subsidies we received under the COVID-19 pandemic may not sustain in the future.**

The COVID-19 pandemic has caused an adverse impact on the global economy. Nevertheless, we were able to achieve 47.4%, 64.3% and 233.0% of increase in our revenue, gross profit, and net profit during the year ended 31 December 2020, respectively, as compared with 2019, primarily due to a reshaped consumer purchase pattern and a faster growth in E-commerce B2C sales facilitated by the pandemic. During the year ended 31 December 2020, we also received (i) a one-off Government subsidy of approximately US\$3.1 million, being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, and (ii) a one-off subsidy grant of approximately US\$18,000 provided by the Japanese Government in light of the outbreak of COVID-19. Save for the one-off government subsidies obtained during the year ended 31 December 2020 and the government subsidy of approximately US\$4,000 granted by the Japanese government during the first quarter of 2020 for purchasing equipment for work-from-home arrangement of our Japan office, no other COVID-19 related subsidy has been applied for or received during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that we do not expect receive further COVID-19 related government subsidy going forward.

We were a beneficiary of this trend. However, due to the non-recurring nature of the COVID-19 pandemic, the increase in E-commerce transactions during the pandemic may not continue if the pandemic situation starts alleviating. In response to the COVID-19 pandemic, governments have instituted lockdown, social distancing, and similar precautionary measures to slow down the infection rates. These restrictions have prompted the shift from physical commerce to E-commerce, which has benefited our business. If the COVID-19 pandemic abates, we cannot assure you that we will be able to achieve similar results or grow at the same rate as we did during the year ended 31 December 2020, or at all. Our platforms may even experience decreases in number of visitors, customers, and order value, which would negatively affect our business, financial condition, and operating results. And also, due to the non-recurring nature of the government subsidies we received during the year ended 31 December 2020 and the subsidy granted by the Japanese Government during the first quarter of 2021 for purchasing equipment for work-from-home arrangement of our Japan office, we cannot assure you that we will receive further subsidy from any government during the year ending 31 December 2021 and in the future.

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## RISK FACTORS

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**Our business and results of operations may be materially and adversely affected if we are unable to maintain our customer experience or provide high quality customer service.**

The success of our business largely depends on our ability to provide superior customer experience and high quality customer service, which in turn depends on a variety of factors, such as our ability to continue to offer attractive products, source quality suppliers to respond to customer demands and preferences, maintain the quality of our products, blog content and services, provide user-friendly website and mobile app interface, maintain reliable and timely delivery of our products, and provide superior after sales services.

Our sales may decrease if our website or mobile app services are severely interrupted or otherwise fail to meet our customer requests, or if our customers are not satisfied with our products or services, the customer reviews on our website as well as customer ratings on third party websites may decline. As a result, our reputation and customer loyalty could be negatively affected. If we are unable to continue to maintain our customer experience and provide high quality customer service, we may not be able to retain existing customers or attract new customers, which could have a material adverse effect on our business, financial condition and results of operations.

**The proper functioning of our IT systems is essential to our business. Any failure to maintain daily operations, satisfactory performance, security and integrity of our website and systems will materially and adversely affect our business, reputation, financial condition and results of operations.**

Our IT systems mainly include in-house developed technology infrastructure supporting our front-end, back-end, catalogue and data-mining systems. The satisfactory performance, reliability and availability of our IT systems are critical to our operation and success, our ability to attract and retain customers, our ability to maintain a satisfactory customer experience and level of customer service as well as the timely review of our business performance.

We utilise a third-party services provider to keep our servers running continuously. Our servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays in transaction processing, loss of data or the inability to accept and fulfill customer orders. We cannot provide assurance that we will not experience such unexpected interruptions or breakdown, or that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could damage our reputation and result in a material decrease in our revenue. We have maintained insurance covering increased cost due to business interruption caused by breakdown of IT system, however, such compensation may not fully cover the actual losses we suffer, and our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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

**Any interruption in the operation of our warehouses for an extended period may have an adverse impact on our business.**

Our ability to process and fulfill orders timely and provide high quality customer service depends on the efficient and uninterrupted operation of our warehouses. A significant interruption in the operation of our warehouse facilities, whether as a result of a natural disaster or other causes, could significantly impair our ability to operate our business. If there is a significant interruption in the operation of our facilities, we may not have the capacity to service all of our customers out of the unaffected facilities in a timely and economically manner. Although we have maintained insurance covering certain damage or loss to our inventories and equipment in our warehouse, such compensation may not fully cover the actual losses we suffer, and our business, financial condition and results of operations may be materially and adversely affected.

**We use third-party couriers to deliver orders. If these couriers fail to provide reliable delivery services at commercially acceptable terms, our business and reputation may be materially and adversely affected.**

We deliver our goods through major local and international courier companies. Interruptions to or failures in these third parties' delivery services could inhibit the timely or proper delivery of the goods to our customers. These interruptions may be resulted from events beyond our control such as merger, acquisition, insolvency or government shut-down, or even beyond the control of these delivery companies, such as inclement weather, natural disasters, political movement, transportation disruptions, labor unrest or global and/or regional pandemics such as the outbreak of COVID-19 in 2020.

Purchase price on service rates may fluctuate according to our agreements with third party service providers. We cannot guarantee that no interruptions would occur which could materially and adversely affect our business, prospects or results of operations. If these third-party couriers fail to deliver the goods in time or at all, or at uncompetitive costs, we may not be able to find alternative delivery companies to provide delivery services in a timely and cost efficient manner, or at all. If the goods are not delivered in proper condition or on a timely basis to our customers under a reasonable cost, our business, prospects or results of operations could be materially and adversely affected.

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## RISK FACTORS

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**We are subject to risks associated with foreign exchange rate fluctuations.**

Our functional currency is U.S. dollar and a substantial portion of our cost of sales was denominated in RMB, Korean Won, Japanese Yen and Hong Kong dollar during the Track Record Period. Our E-commerce customers generally settle their invoices using their designated currencies upon checkout via secure payment gateways, and the fund is generally transferred to our Group's account in Hong Kong dollar and U.S. dollar. Fluctuations in the exchange rate between our functional currency and the other currencies could materially impact our reported results of operations and distort period to period comparisons. During the Track Record Period, our Group recorded net foreign exchange losses of approximately US\$0.1 million, US\$0.2 million and US\$1.3 million for the three years ended 31 December 2020, respectively.

Our profit margins will be negatively affected to the extent that we are unable to increase the selling prices of our products we sell to our customers if there is any appreciation of settlement currencies to our suppliers, such as RMB, Korean Won and Japanese Yen against U.S. dollar affecting the procurement costs of our products. In addition, we do not have a foreign currency hedging policy and our use of derivatives markets or foreign exchange hedging measures to minimize foreign exchange rate risk may fail. Accordingly, we are exposed to exchange rate fluctuations and such exposure may adversely affect our financial position and the performance of our business.

**As we compete to a certain degree on price, fluctuations in freight charges may materially and adversely affect our financial conditions and results of operations.**

We engage third-party couriers for delivery services and the couriers have the discretion as to whether to increase the freight charges. Freight charges can be affected by various factors including fuel prices, taxes, exchange rate, the supply of cargo space, market conditions or other factors such as the global pandemic. As one of our major cost of sales components, we have incurred freight charges of US\$17.4 million, US\$25.2 million and US\$42.7 million, respectively, for the three years ended 31 December 2020, accounting for approximately 31.0%, 31.5% and 38.3% of our cost of sales for the same years.

Subject to our cost-plus pricing method, we normally mitigate the negative impacts of any increase in our cost by passing the cost to our customers, generally through: (i) increasing the price of the products, and (ii) suspending free standard shipping or increasing the shipping charges to certain countries, taking into consideration various factors including the sensitivity of different freight charges and our set range of expected profit margin.

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## RISK FACTORS

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However, as we compete to a certain degree on price, our ability to pass the increased freight cost to our customers can be individually or collectively inhibited due to various factors, such as increased procurement costs, imposition of or increase in taxes or tariffs, fluctuations of exchange rates or general economic downturns, most of which are beyond our control. In such case, we may have to lower our profit margin. In the event we are unable to manage such increase in freight charges in an environment where our sales price could not increase proportionately, our profitability could be reduced, and our business, financial condition and results of operations could be materially and adversely affected.

**We plan to expand our warehousing, fulfilment and logistics network and infrastructure. If we are not able to manage such expansion successfully, our growth potential, results of operations and business could be materially and adversely affected.**

Our warehousing, fulfilment and logistics network is essential to our business growth, we cannot assure that we will be able to renew the existing leases or finding suitable substitutes. In addition, we intend to optimize and expand our warehousing, fulfilment and logistics capacity to accommodate increasing volumes of customer orders, enhance customer services, provide better coverage across the markets, and support our expansion into new product categories. In particular, we plan to upgrade our warehouses in Hong Kong by implementing voice picking technology for more efficient order processing. We will also improve storage racks for more streamlined inventory management.

However, we cannot assure you that our strategy to optimize and expand our logistics network and infrastructure will be successful. The upgrade of our warehousing, fulfilment and logistics capacity will put pressure on our managerial, financial, operational and other resources. We cannot assure you that we will be able to locate or develop suitable facilities or technologies on commercially acceptable terms in accordance with our expansion plan, or to recruit qualified managerial and operational personnel to support our expansion plan. If we are unable to secure new facilities for the expansion of our logistics operations, or to effectively control expansion-related expenses, our business, prospects, financial condition and results of operations could be materially and adversely affected.

**Any harm to our brand or failure to maintain our reputation may materially and adversely affect our business and growth prospects.**

We believe that the recognition and reputation of our brand among our customers and suppliers have significantly contributed to the growth of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand and may negatively impact our brand and reputation if not properly managed. These factors include our ability to:

- provide satisfactory user experience as customer preferences evolve and as we expand into new markets and product categories;

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## RISK FACTORS

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- increase brand awareness among existing and potential suppliers and customers through various marketing and promotional activities;
- maintain the variety, popularity, attractiveness and quality of the products we offer;
- maintain the efficiency, reliability and quality of our warehousing, fulfilment and delivery arrangements as well as after sales service; and
- preserve our reputation and goodwill in the event of any negative media publicity on internet security or product quality or authenticity issues affecting us or other E-commerce businesses of a similar virtue.

In addition, as we encourage our customers to leave reviews and comments on our websites, mobile app and social media accounts, inappropriate, false or negative product reviews and comment on our platforms or products could potentially harm our reputation. Furthermore, as we engage a large number of influencers and KOLs for the promotion of our products, our customers and visitors might associate our brand image with the image of these influencers and KOLs. Our reputation could therefore be potentially damaged from their inappropriate actions, views or online posts which are beyond our control, no matter if such actions, views or posts are in fact related to us.

If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our website, products and services, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

**We do not enter into long-term agreement with our suppliers. If we fail to procure products timely or at favorable terms from our suppliers, our business and growth prospects may suffer.**

We source our products from selected third-party brand partners and suppliers. During the three years ended 31 December 2020, we worked with 16,511, 18,468 and 19,974 suppliers, respectively. Maintaining strong relationships with these suppliers is important to the growth of our business. We do not typically enter into long-term agreement with our suppliers. We generally make purchase orders to our suppliers upon receiving orders from our customers. Neither by placing purchase order nor entering into agreement can ensure the availability of products or the continuation of particular pricing practices. In addition, our arrangements with suppliers typically do not restrict the suppliers from selling products to other purchasers or request for supplying product to us on a priority basis. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current arrangement expires. Even if we maintain good relations with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, natural disasters, actions by brand owners or manufacturers or other causes. In the event that we are not able to purchase products at favorable prices or in timely manner, our revenues and cost of sales may be materially and adversely affected. In the event any of our suppliers does not have authority from the relevant brand owner or manufacturer to sell certain products to us, such supplier

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## RISK FACTORS

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may cease selling such products to us at any time. Such brand owner may also impose additional pricing or geographical selling restrictions on us. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices or in timely manner. Any adverse developments in our relationships with suppliers, or their relationship with brand owners or manufacturers could materially and adversely affect our business and growth prospects. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

**We may be involved in claims initiated by our suppliers against any alleged breach of terms of the supplier agreements such as selling restrictions or product pricing policies, which could materially and adversely affect our results of operation, liquidity and financial position.**

We have entered into legally binding agreements with some of our suppliers, including certain Korean beauty and entertainment product suppliers. Certain Korean beauty suppliers impose terms including pricing policies and selling restrictions relating to geographic areas and sales channels on us. For example, under certain supply agreements, we are obliged to resell certain procured products at agreed prices, and refrain from selling related products to certain geographic areas or through our B2B channels. During the Track Record Period and up to the Latest Practicable Date, due to the inadvertent delay in system update of changes in selling restriction locations upon notification by our Korean beauty brand product suppliers, a total order amount of approximately US\$4,600 involving eight Korean beauty branded product sales to external customers located in regions with selling restrictions was identified. The total order amount generated from the associated brands accounted for approximately 0.3%, 0.1% and 0.2% of our total order amount of the Korean beauty products, respectively, for the three years ended 31 December 2020. For details, please refer to the section headed “Business — Supplier Selection and Arrangement” of this prospectus.

We cannot assure you that we will be able to prevent, identify and correct all potential breaches of agreements on a timely basis, or at all. We may therefore be exposed to the risk of receiving claims for the breach of contract and if any such claims against us are successful or lengthy litigation processes are required, our business reputation, results of operations, liquidity and financial position may be materially and adversely affected.

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## RISK FACTORS

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**Risk of disintermediation could materially and adversely affect our financial condition and operating result.**

We source products from brand partners and resellers including authorized distributors and third party E-commerce platforms, who also offer direct sales channels to their customers. For customers who have strong purchasing power and brand preference, they are better able, and may choose, to purchase products directly from such suppliers instead of on our platforms.

In addition, we generally do not enter into long-term or exclusive agreement with our suppliers. While our platforms provide suppliers with both sales and marketing channels to global customers, some of them may decide not to engage us once their business scale has grown to the extent that they may afford independent direct market expansion initiatives towards our customer base. Certain of our suppliers impose selling restrictions, including geographic areas, sales channels, and/or prices on us. These suppliers may choose to distribute some or all of their products directly to end-customers in one or more markets. This process of disintermediation can put us at risk of losing business from end-customers, or of losing entire product lines or categories, or distribution territories, from suppliers. Disintermediation also adversely impacts our ability to obtain favorable pricing from suppliers and optimize margins and revenue with respect to our customers. As a result, any disintermediation could materially and adversely affect our financial condition and operating results.

**Evolving taxation laws and regulations could adversely affect our business and financial condition.**

As global and local tax regulations concerning online sales continue to evolve, their implications on our operations become increasingly complicated, in particular indirect tax. For the purpose of staying updated with the continuous changes in indirect tax regulations, we engaged external tax consultants to provide professional tax consulting services. Our Indirect Tax Consultant reviewed with respect to our indirect tax compliance obligations in a total of 59 jurisdictions (for our E-commerce retail transactions) and 10 jurisdictions (for our E-commerce wholesale transactions). Apart from the indirect tax obligations for E-commerce retail transactions in the U.S., Australia, Switzerland and New Zealand as further elaborated in a later section, see “Business — Taxation and Related Arrangements”, we are compliant in all material aspects with the indirect tax rules in the remaining jurisdictions under review where we conduct our E-commerce retail transactions and E-commerce wholesale transactions.

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## RISK FACTORS

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In light of the complex tax regulatory environment and the ambiguity in international coordination in the context of digital economy, especially with regards to online sales, we may become subject to new laws and regulations. For example, following the Supreme Court of the United States' decision on *South Dakota v. Wayfair* on 21 June 2018, a number of states in the United States have begun passing legislation that requires E-commerce retailers exceeding certain thresholds to collect state sales taxes, even if there is no physical presence in such state. Please refer to "Regulatory Overview" for more details.

Levy of any indirect tax may increase the prices of our products sold to our consumers. In addition, the imposition of indirect taxes upon E-commerce business could create administrative burdens for us, which could in turn adversely affect our business, financial condition and results of operations.

**We may be subject to fines and penalties as a result of our non-compliance with applicable indirect tax rules during the Track Record Period.**

As advised by our Indirect Tax Consultant, among the jurisdictions under review, we had non-compliance issues according to the latest applicable indirect tax laws and regulations in certain jurisdictions including the U.S., Australia, Switzerland and New Zealand where *YesStyle* and *YesAsia* are required to collect and remit indirect tax for our E-commerce transactions. The aggregate amount of indirect tax payment exposure to us for our E-commerce retail transactions for the two years ended 31 December 2020 was approximately US\$2.4 million and US\$2.2 million, respectively. The interest and penalty for late sales tax payment for the two years ended 31 December 2020 were US\$0.2 million and US\$0.1 million, respectively. We have subsequently performed the requisite tax registrations and arranged for settlement of the historical indirect tax payments in these countries, and we have fully settled all *YesStyle* and *YesAsia*'s outstanding indirect tax liabilities (including interest and penalty) in the U.S. Australia, Switzerland and New Zealand. Please refer to the section headed "Business — Taxation and Related Arrangements" in this prospectus for further details.

We do not expect to be subject to further late payment of indirect tax, interest or penalty imposed by the relevant tax authorities associated with (i) the sales to the U.S. market incurred during the two years ended 31 December 2019 and for the nine months ended 30 September 2020, and (ii) the sales to Australia, Switzerland and New Zealand markets incurred during the two years ended 31 December 2019 and for the eight months ended 31 August 2020.

However, there is also no assurance that we will not be subject to indirect tax payments, penalties or fines imposed by the relevant governmental authorities as a result of other potential non-compliance incidents which have not been reviewed by our Indirect Tax Consultant or us, or any other non-compliance incidents which may arise due to the lack of familiarities with the evolving tax laws and regulations in the future. Any such indirect tax payments, penalties or fines may have an adverse effect on our financial condition and results of operations.

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## RISK FACTORS

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

A significant challenge to operating E-commerce platforms is the secure transmission of confidential information over public networks. Currently, product orders and payments for products we offer are made through our websites and systems. In such transactions, maintaining complete security for the transmission of confidential information, such as our customers' credit card information, personal information, as well as billing and delivery addresses, is essential to maintain consumer confidence in visiting and purchasing on our platforms.

We may not be able to prevent third parties, such as hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits or purchases on our platforms. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. Such confidential or private information may also be improperly accessed, tampered with or distributed by our employees due to non-compliance with our internal control policy. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which some of our customers may elect to make payment for purchases at our website. Furthermore, our third-party courier companies may also violate their confidentiality obligations and disclose or use information about our customers illegally. During the Track Record Period and up to the Latest Practicable Date, we have not received any claims related to breach of confidential information nor suffered any material adverse impact arisen therefrom. However, we cannot assure that in the future, we will not be required to allot significant resources and incur material expenses regarding such claims. Any negative publicity on our website's safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations.

In addition, as such illegal online activities are relentless, significant capital and other resources may be required to ensure and enhance our information security or to address the issues caused by such security failure. Any perception by the public that E-commerce transactions are becoming increasingly unsafe or vulnerable could inhibit the growth of E-commerce and other online services generally, which may reduce the number of purchase orders we receive, and in turn materially and adversely affect our reputation, business, financial condition and results of operations.

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## RISK FACTORS

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**Recent and potential additional tariffs imposed by the US government or a global trade war could increase the cost of our products, which could materially and adversely affect our business, financial condition and results of operations.**

We source most of our fashion & lifestyle products from third-party suppliers in China. Effective on 6 July 2018, the United States Trade Representative (USTR) imposed additional duties on articles exceeding certain *de minimis* threshold that are products from China (the “**Conflict Duty**”). Articles, including articles that are products of the PRC, are admitted to the U.S. free of duty and of any tax imposed on or by reason of importation, including the Conflict Duty, if the aggregate fair retail value in the country of shipment of articles imported by one person on one day does not exceed US\$800 per day (the “**De Minimis Threshold**”). Any article that is a product of the PRC, as part of a shipment that exceeds the De Minimis Threshold, is subject to the Conflict Duty, which varies between 0 and 25% on the fair retail value of such article.

During the Track Record Period, approximately US\$168,000 or 0.12% of our total US order amount were Chinese products subject to additional Conflict Duty. Our customers are responsible for clearing and paying the customs and duties imposed on their orders under the US applicable laws. As such, current or potential new tariffs may result in increased overall purchasing price for our US customers on certain of our products, thereby reducing the competitiveness of our business in the US, which is our largest market during the Track Record Period.

Furthermore, as a result of the revocation of Hong Kong’s preferential treatment under the Executive Order on Hong Kong Normalization signed by former President Donald Trump on 14 July 2020 (the “**Executive Order**”), subsequent notice was issued on 6 October 2020 by the US Customs and Border Protection (the “**CBP Notice**”) that all goods manufactured in Hong Kong must now be labeled “Made in China” (the “**Designation**”). During the Track Record Period, our sales derived from goods produced in Hong Kong were approximately US\$5,000, US\$6,000 and US\$10,000, respectively. As advised by our US Legal Advisors and with respect to the Designation and for tariff purposes, the treatment of goods produced in Hong Kong (now labeled “Made in China”) remains the same as that prior to the implementation of the Executive Order as according to the CBP Notice. Among other changes, the US may implement future laws and regulations requiring goods produced in Hong Kong to be subject to the same tariff and duty rates applicable to products produced in the PRC.

In any case, increased or potentially new tariffs on imports could materially and adversely affect our business, financial condition and results of operations. Our Directors believe that during the Track Record Period, the tariff had no material adverse impact on our business operation and financial result. However, we cannot assure that we will not be required to incur material expenses regarding such tariffs in the future. There is also a possibility that the imposition of additional tariffs by the US could result in the adoption of tariffs by other countries as well, leading to a global trade war. Trade restrictions implemented by the US or other countries in connection with a global trade war could materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with.**

While our physical presence is largely concentrated in Hong Kong, South Korea and Japan, our websites, mobile app and social media platforms can be viewed by Internet users around the world. We source our offering of products from various countries and regions in Asia and North America, and we had sold our goods to customers in countries and regions around the globe during the Track Record Period. Therefore, the scope of our operations exposes us to several types of complexities that increase the risks associated with our business, including but not limited to:

- the need to effectively adjust our business to target the local markets, including the offering of websites and marketing campaigns in foreign languages;
- different local laws and regulations, including relating to, product description, consumer protection, data privacy, labor, intellectual property, tax, trade, and customs duties or other trade restrictions;
- the need to obtain requisite approvals, licenses or permits applicable to our business under different local laws and regulations;
- the potential for unexpected changes in legal, political or economic conditions in the countries from which we source or into which we sell our products;
- exposure to liabilities under various anti-corruption and anti-money laundering laws; and
- fluctuations in foreign exchange rates against United States dollars.

If we fail to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on our reputation, business, financial condition and results of operations.

**Any failure to manage our growth or execute our strategies effectively may materially and adversely affect our business and prospects.**

To maintain growth, we will need to, among other things, reinforce our marketing strategies to boost our customer base and enhance customer loyalty, increase our global penetration to build stronger brand awareness, deepen our positioning as a Korean beauty product gateway, enhance our customer experience through further investment in IT systems and in-house-produced original content, and optimize and expand our logistics network and infrastructure. However, we cannot assure you that we will be able to execute any of such strategies for business optimization and expansion successfully. For example, to better facilitate our plan to expand in Europe, we plan to seek more cooperations with influencers and KOLs located in European countries to help us land more local customers. However, we may fail to enhance the loyalty of our customers as well as increasing our presence in our major markets, especially the European market.

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## RISK FACTORS

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Moreover, growth will require significant efforts and resources from our management. We will need to continue to expand, train, manage and motivate our workforce and manage our relationships with customers, suppliers, and third-party service providers. All of these endeavors involve risks and will require significant management, financial and human resources. We cannot assure you that we will be able to implement our strategies successfully. If we are not able to materialize our business strategies and future growth effectively, or at all, our business, financial condition and results of operations may be materially and adversely affected.

**We derive our revenues from product categories that represent discretionary spending and changes in global macroeconomic conditions may decrease the demand for our products and adversely affect our business, financial condition, results of operations and prospects.**

We offer Asian fashion & lifestyle, beauty and entertainment products on our platforms to global customers. Many of our products may be viewed as discretionary items rather than necessities. Consequently, our results of operations tend to be sensitive to changes in macroeconomic conditions that impact consumer discretionary spending. During an economic downturn, customers may be less willing to purchase products that we offer. Challenging macroeconomic conditions also impact our customers' ability to obtain consumer credit. Other factors, including consumer confidence, employment levels, interest rates, tax rates and consumer debt levels, could affect consumer spending or change consumer purchasing habits.

The current economic environment continues to present uncertainties and risks for our business. Continued concerns about the systemic impact of a potentially long-term and worldwide recession due to COVID-19, trade tension between China and the United States, geopolitical events such as the withdrawal of the UK from the EU, and global protest events, all have contributed to increased market volatility and diminished expectations for economic growth around the world. Such economic challenges have resulted in high unemployment worldwide, as well as stagnant wage levels, which has dampened consumer purchasing power. A severe or prolonged future downturn in North America, Europe or other global economies or a negative economic outlook could materially and adversely affect our business, financial condition, results of operations and prospects.

**We may not be able to successfully adopt new technologies or adapt our websites and systems to consumer requirements or emerging industry standards, which may materially and adversely affect our business, financial condition and results of operations.**

The Internet and the E-commerce industry are characterized by rapid technological evolution. Changes in user and consumer preferences and the emergence of new industry standards and practices may render our existing technologies and systems obsolete. To remain competitive, we must continue to enhance our technology infrastructure to improve the responsiveness, functionality and features of our websites and mobile app.

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## RISK FACTORS

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We will continue to update the features of our websites and mobile app to enhance customer experience and our professional brand image. For example, we plan to enhance our API integration with in-house and third-party applications for improved personalization, marketing, social media and fraud detection functionalities, among others. We will also upgrade our search engine hardware and software to support scalable search enquiries in multiple languages with improved speed, relevancy and accuracy. However, as new platforms and new devices are continually being released, it is difficult to predict the challenges we may encounter in order to reach customers. We can provide no assurance that we will be able to use new technologies effectively or adapt our website technologies and transaction-processing systems to meet customer requirements or emerging industry standards. If we are unable to adapt to future technological advancements or project the customer needs in such system expansion or upgrade in a cost-effective and timely manner, whether for technical, financial or other reasons, our business, financial condition and results of operations may be materially and adversely affected.

**Our business is subject to seasonality risk.**

Our business is seasonal. Historically, the fourth quarter of each year contributes the largest portion of the annual revenue for our E-commerce business as a result of increased advertising and promotional activities, which is primarily due to a number of events, festivals, and our corresponding promotions such as Halloween Sale, Single's Day Promotion, Thanksgiving Sale, Cyber Monday Sale, and Black Friday Campaign, followed by the Christmas Sale. For the three years ended 31 December 2020, revenues from fourth quarter of our E-commerce platforms accounted for approximately 30.4%, 28.9% and 30.5% of our total revenue, respectively. As a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year are not necessarily meaningful and should not be relied on as indicators of our Group's full-year performance.

**We generally do not enter into long-term agreement with our B2B customers.**

As our B2B customers generally place purchase orders with us on individual basis, we do not typically enter into any long-term agreement with these customers. For the three years ended 31 December 2020, revenue generated from *AsianBeautyWholesale* and offline B2B orders accounted for approximately 7.5%, 10.3%, and 6.4% of the total revenue, respectively. Accordingly, we may have limited visibility as to our future revenue streams from B2B customers and there is no assurance that we will maintain or increase the level of our business with existing or potential B2B customers. Should our B2B customers decide to choose our competitors due to the market conditions or we fail to provide attractive products or pricing to attract or retain customers or any other factors, the demand for our products may not grow or even decline and our business, results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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**Products we sourced from our suppliers may subject us to potential claims relating to product liability, description, warnings and labelling, which may materially and adversely affect our business and our reputation.**

We source our product from a large number of suppliers from Asia and North America during the Track Record Period. Some of the products provided by our suppliers may be defective or of inferior quality or may lack appropriate description, warnings or labels. In addition, we typically adopt the product description, claims and labelling provided by the suppliers. Despite our content monitoring process, we cannot assure you that the product descriptions, instructions, claims or labelling are all accurate and adequate. As a result, sales of such products could expose us to claims relating to personal injury or property damage, property description, warnings or labelling or may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product.

Any such claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Although we have maintained product liability insurance, such compensation may not fully cover the actual losses we suffer, and we may not be able to successfully get reimbursement from each and every supplier timely or at all. During the Track Record Period and up to the Latest Practicable Date, we have not received any material claims related to product liability, product description, warnings and labelling, or suffered any material adverse impact caused by such claims. However, we cannot assure you that in the future, we will not be required to allocate significant resources and incur material expenses regarding such claims. We could be required to pay substantial damages or to refrain from the sales of relevant products in the event that a claimant prevails in any proceedings against us. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation. Any inadvertent sales of products relating to such claims, or public perception of such incidents, may adversely affect consumer perceptions of our Group, which could harm our reputation, impair our ability to attract and retain customers and cause us to incur additional costs to respond to any incident of this nature.

**We have a limited track record of profitability and may not sustain the level of growth in recent years.**

We commenced operations in 1998 and have first achieved profitability in 2008. Our total revenues increased from approximately US\$85.4 million in 2018 to approximately US\$117.6 million in 2019 and to approximately US\$173.3 million in 2020. However, our historical growth rate may not be indicative of our future performance. As we plan to continue to expand our business through such as entering into new geographic markets and expanding our product offerings, we cannot assure you that we will be able to achieve similar results or grow at the same rate as we did in the past, or at all. You should consider our prospects in light of the risks, competition and uncertainties of a fast-growing company in the E-commerce industry with a limited track record of profitability may encounter.

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## RISK FACTORS

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**We may face liabilities for inappropriate or illegal content uploaded by users and information displayed on, retrieved from or linked to our websites.**

Our business is subject to a variety of different local legal, regulatory and culture standards, among which include requirements on internet access and the distribution of information over the Internet. If any authorities determine that any content displayed on our websites does not adhere to their applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such content on our websites in the form of take-down orders or otherwise.

Subject to our content monitoring process, our registered users can upload to our websites and mobile application various types of content, such as updating user profiles and posting product reviews. We require our users to confirm before registration that the content to be uploaded is in compliance with the relevant laws and regulations and does not infringe other parties' legal rights, including copyright, and to indemnify us against all damages arising from third-party claims against us resulting from such uploaded or linked content. In addition, we have adopted and implemented relevant internal procedures aiming to ensure that no prohibited or pirated content is displayed on our platform. We also have a dedicated content monitoring team which is responsible for monitoring and preventing the public release of inappropriate or illegal content on our websites and mobile application. However, given the extensive customer base we have, we may not be able to fully control the content uploaded by our users. As most of our customers are individuals, they may not be able to fully indemnify us for all damages, including regulatory penalties or third-party claims, caused by the content they uploaded. Moreover, because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future. Failure to identify and prevent illegal or inappropriate content from being displayed on our platforms may subject us to severe sanctions and penalties.

**We are exposed to the risk of infringement of intellectual property rights owned by third parties.**

We sell products manufactured by third parties. For the three years ended 31 December 2020, we worked with 16,511, 18,468 and 19,974 suppliers, respectively, certain of which could be distributors, agents or resellers of the products. Some of these products may therefore infringe on the intellectual property rights of third parties if no proper authorization is in place. Any inadvertent sales of counterfeit, non-authentic or unauthorized items, or public perception of such incidents, could harm our reputation, pose us to legal liabilities, impair our ability to attract and retain customers and cause us to incur additional costs to respond to any incident of this nature.

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## RISK FACTORS

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In addition, our websites, mobile app and social media platforms share the latest trend in fashion, beauty, celebrity style, lifestyle and entertainment through the blog managed by our editorial teams. They also post event reports, updates, and product reviews on our social media accounts. We also collaborate with KOLs and include the promotional contents which they have created for our products in our websites and application. We endeavor to create original photos or videos or use materials provided to us by the suppliers. In other situations, we acknowledge the sources of these artworks, photos and/or videos. The copyright of the artworks, photos and videos we used on our E-commerce platforms and social media platforms may be owned by third parties. We cannot guarantee the copyright owner will not object to the use of the relevant copyrighted materials on our digital media platforms.

In the event that counterfeit products, unauthorized products or products, videos, images, logos or any other information on our website that otherwise infringes third parties' rights are sold or posted on our website or social media platforms, we could face infringement claims. We have in the past been notified by certain intellectual property rights owners of products which may be susceptible to trademark or design infringement. We have performed internal investigation on such matters, removed relevant products where deemed appropriate and settled the claims upon mutual agreement with the relevant parties. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material dispute regarding infringement of intellectual property rights of third parties which had a material impact on our operations, financial condition and reputation. We believe that we have taken all reasonable measures to prevent any infringement of intellectual property rights of third parties. However, we cannot assure you that in the future, we will not be threatened or sued upon in relation to intellectual property rights of others. Any such claims, if arise and regardless of their merits, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to pay substantial damages, may result in harm to our reputation or may require us to pay ongoing royalties or may subject us to injunctions, requiring us to remove content or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our customers deferring or limiting their use of our services, which could materially adversely affect our financial condition and results of operations.

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## RISK FACTORS

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**We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our trademarks, service marks, domain names, trade secrets, technologies and other intellectual property as critical to our business. We rely on a combination of intellectual property laws, contractual arrangements, including employment agreements, and the terms and conditions set out on our websites to protect our proprietary rights. As at Latest Practicable Date, we owned 14 registered trademarks in six countries and regions, as well as 4 registered domain names. See “Business — Intellectual Property.”

We may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all jurisdictions where we registered our trademarks. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from (i) advance payments primarily from customers for orders not shipped out yet; and (ii) deferred revenue for the customers of our loyalty programme, representing transaction price allocated to the memberships based on the relative stand-alone selling price. As at 31 December 2018, 2019 and 2020, we had contract liabilities of approximately US\$5.9 million, US\$7.7 million, and US\$8.4 million, respectively. For further details, please refer to “Financial Position — Discussion of Selected Statements of Financial Position Items — Contract Liabilities” in this prospectus.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the completions of existing and future orders from our customers, including customers under our loyalty programme, are subject to various factors, including the supplies of our products and logistics services, and normal operations of our warehouse and our business. If we were not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue, and we may have to return the advance payment made by our customers or provide alternative compensation for the deferred revenue due to the customers of our loyalty programme. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

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## RISK FACTORS

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### **We face exposure to fair value change for financial assets at FVTPL.**

During the Track Record Period, we had life insurance policy entered into for Mr. Lau, our Chief Executive Officer, an executive Director and one of our Controlling Shareholders, recognized as financial assets at FVTPL in the consolidated statements of financial position of approximately US\$0.8 million as at 31 December 2019 and US\$0.8 million as at 31 December 2020. We face exposure to fair value change for the financial assets at FVTPL and we recorded fair value loss on financial assets at FVTPL of approximately US\$99,000 during the year ended 31 December 2019 and fair value gain on financial assets at FVTPL of approximately US\$10,000 during the year ended 31 December 2020 due to one-off premium charges, surrender charges, and net off interest income incurred during the year which led to changes of net surrender values in respect of the life insurance policy at the end of each reporting period. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our financial conditions and result of operations in the future.

### **We may be exposed to credit risk on trade receivables due to customers' worsening financial condition.**

During the Track Record Period, our Group recognized impairment losses for trade receivables. For the year ended 31 December 2019, we recorded impairment losses for trade receivables of approximately US\$21,000. For the year ended 31 December 2020, we recorded reversal of impairment losses for trade receivables of approximately US\$10,000. The Group recognizes a loss allowance for expected credit losses (“ECL”) on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Also, the Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. If customers with whom we have substantial trade receivables face difficulty in making payments in the future due to economic downturn or other reasons, and if we are forced to make impairment losses or write-off those receivables, our results of operations, financial condition and cash flows may be adversely affected.

### **We may experience transfer pricing risk.**

We have adopted transfer pricing arrangements among our group companies in Hong Kong, Japan, South Korea and the US to regulate intragroup transactions. Our Group's tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

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In the event that our Group's tax position is subject to review and possible challenge by the Hong Kong, Japan, South Korea and/or the US tax authorities or there is a change in the tax policy and relevant tax laws in these countries and regions, it may adversely affect our Group's financial position and results of operation. There can be no assurance that our Group will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our Group's transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that reallocated the income or modified its relevant transfer pricing-related laws. For further details of our transfer pricing arrangements and the advice given by our Transfer Pricing Adviser on intragroup transactions, please refer to the section headed "Business — Transfer Pricing Arrangements" in this prospectus.

**We had an increasing gearing ratio during the Track Record Period that may expose us to liquidity risk.**

The calculation of our gearing ratio is based on total debt (lease liabilities, finance lease payables and bank borrowing) at the end of the year divided by net assets at the end of the year and multiplied by 100%. During the Track Record Period, despite that our year-end balance of bank borrowing decreased from approximately US\$620,000 as at 31 December 2019 to US\$493,000 as at 31 December 2020, our gearing ratio increased from approximately 2.5% as at 31 December 2018 to 24.1% and 64.5% as at 31 December 2019 and 2020, respectively, mainly as a result of the initial adoption of HKFRS 16 on 1 January 2019, which led to the increase of lease liabilities by approximately US\$11.5 million resulting from the additional office and warehouse space rented during the year ended 31 December 2020.

With our business expansion, our bank borrowings and lease liabilities may increase significantly, and any substantial increase in our bank borrowings in the future or future lease arrangement for our offices and warehouses would lead to a further increase in our gearing ratio which may adversely affect our liquidity and business operations, including but not limited to:

- increase our vulnerability under adverse economic condition;
- potentially limit our ability to raise more debt; and
- increase our exposure to interest rate fluctuation.

If we have an increasing gearing ratio in the future as a result of the increase in bank borrowings and lease liabilities driven by our business expansion, our exposure to liquidity risk may restrict our ability to make necessary capital expenditure or develop business opportunities in the future, which may adversely affect our results of operations and financial positions.

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### **Our wide variety of accepted payment methods subjects us to third-party payment processing-related risks.**

We accept payments from customers using a variety of methods, mainly include bank transfers, online payments with credit cards, and payment through third-party online payment platforms, such as *PayPal*, *Apple Pay* and *Google Pay*. We generally engage payment gateway companies to process our customers' E-commerce transactions. Our business may be disrupted if the payment gateway companies become unwilling or unable to provide these services to us. For certain payment methods such as credit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins.

The payment gateway companies we work with constantly monitor our merchants accounts. We also implement a fraud detection system which flags possible fraudulent transactions. Our credit online team reviews such identified possible fraudulent transactions on a case-by-case basis. However, we cannot assure you that we are able to identify any fraud and to avoid future occurrence of such fraud on a timely manner, or at all. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any payment fraud that had materially and adversely affected our business or financial position.

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

### **If we are subject to higher product return rates, our business, financial condition and results of operations may be materially and adversely affected.**

We have adopted customer-friendly return and exchange policies to accommodate our customers and to overcome any hesitance that they may have in shopping on our websites. For certain product categories and under certain conditions, our customers can return or exchange products purchased on our websites within fourteen days without giving any reason. These policies improve customer experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. If our product return rates are higher than expected, our revenue and costs can be negatively impacted.

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## RISK FACTORS

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In addition, if our return and exchange policy is misused by a significant number of customers, our costs may increase significantly. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace. As a result, our business, financial condition and results of operations may be materially and adversely affected. For further details of our return and exchange policies, please refer to the section headed “Business — Customer Service and Aftersales Service — Return and exchange policies” in this prospectus.

**We may fail to attract new customers in sufficient numbers or at sufficient rates or at all or to retain existing customer scale.**

The success of our business rests on our ability to retain the existing customers, as well as to continuously engage new customers in sufficient numbers and at sufficient rate. If customers do not perceive our product offerings to be of value, or our offerings are not favorably received by them, we may not be able to attract and retain these customers to continue shopping on our platforms. If our efforts to satisfy and retain our existing customers are not successful, our ability to grow our business will be adversely affected. Customers may cease purchasing from our platforms for many reasons, including a perception that the product price or shipping fees are too high, their need to cut purchases on discretionary items, competitors providing a better selection or experience, or if customer service issues are not satisfactorily resolved.

Even if we are able to attract new customers to replace certain departing customers, these new customers may not maintain the same level of order amount and frequency. In addition, we may incur marketing or other expenses, including customer referral rewards and influencer and KOL commissions, to attract new customers, which may further offset our revenues, which could materially and adversely affect our results of operations.

Customer retention will also be largely dependent on the quality and effectiveness of our customer service and operations, which may be handled internally by our personnel and also by third-party service providers. Outsourcing of certain customer service such as our help center may reduce our ability to ensure consistency in our overall customer service processes. If we are unable to successfully compete with current and new competitors in both retaining existing customers and attracting new customers, our business will be adversely affected.

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**We may have certain Shareholder(s) that we are unable to contact as at the Latest Practicable Date, which may lead to potential disputes.**

We had undergone three-rounds of Pre-IPO Investments. For further details, please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus. We may not be able to communicate with certain Shareholder(s), whom, for example, has ceased operations in its jurisdiction of formation and may be difficult to contact. Under such circumstance, it is possible that ownership disputes may arise with respect to the Shares held in the name of such Shareholder(s). We may be brought into any resulting litigation by such Shareholder, its creditors, or other parties. Any such claim or litigation, however it arises and regardless of its merits, could be time-consuming and costly to resolve, and may result in diversion of our management’s attention and resources.

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

We have maintained insurance coverage we consider necessary and sufficient for our business, and customary for the industry in which we operate. However, there is no assurance that the insurance policies we maintain are sufficient to cover our entire business operations. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.**

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, fire, floods, hail, windstorms, severe weather, environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. If any such catastrophe or extraordinary event occurs in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products to our consumers and could decrease demand for our products, and our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

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In addition, our business could be materially and adversely affected by the outbreak of infectious diseases such as the novel coronavirus known as COVID-19. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. COVID-19 has resulted in numerous deaths, travel restrictions, closure of international borders, enhancement of health screenings at ports of entry and elsewhere, prolonged quarantines and the imposition of both local and more widespread “work from home” measures, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The ongoing spread of COVID-19 has had, and is expected to continue to have, a material adverse impact on local economies in the affected regions and also on the global economy, as cross border commercial activities and market sentiment are increasingly impacted by the outbreak and governmental measures seeking to contain its spread. The impact of COVID-19, and other infectious illness outbreaks that may arise in the future, could adversely affect our business in ways that cannot necessarily be foreseen. In addition, public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its ultimate impact on the global economy cannot be determined with certainty.

The COVID-19 pandemic and its effects may last for an extended period of time, and could result in significant and continued market volatility and uncertainty, exchange trading suspensions and closures, declines in global financial markets and a substantial economic downturn or recession. Any occurrence of these could not only severely disrupt our staffing and our suppliers, but also reduce the activity levels of our work force and our suppliers, hinder the proper functioning of logistics service or cause the service to be delayed or cancelled, or lower the frequency of our customers’ visit to our websites or purchases, which would in turn cause a material and adverse effect on our business, financial condition, results of operations and prospects.

**We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the U.S., the EU, the UN, Australia and other relevant sanctions authorities.**

The U.S. and other jurisdictions or organizations, including the EU, the UN, and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries.

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## RISK FACTORS

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During the Track Record Period, we made sales and deliveries of our mostly Asian-origin products to the Relevant Regions which are the countries subject to International Sanctions relevant to the Group's business operation during the Track Record Period. Among the Relevant Regions, Crimea and Iran are the only ones that are subject to comprehensive U.S. economic sanctions and therefore are Sanctioned Countries. To the best knowledge of our Directors, our revenue derived from sales and deliveries of our products to the Relevant Regions amounted to approximately USD0.6 million, USD1.2 million and USD1.1 million, respectively, representing approximately 0.7%, 1.0% and 0.7% of our total revenue for the three years ended 31 December 2020, respectively. As advised by our International Sanctions Legal Advisors, 28 payments in an aggregate amount of approximately USD1,344.89 received from customers from 2015 to 2020 (covering at least a five-year period pursuant to the applicable statute of limitations under the OFAC rules) with respect to the sales and deliveries of our non-U.S. goods to Crimea and Iran were denominated in U.S. dollars and processed through the U.S. financial system or by U.S. payment processors before they were received by our Group. These transactions represent Primary Sanctioned Activity because they constitute potential violations of U.S. sanctions regulations that are applicable to transactions with Crimea and Iran, respectively and the base penalty amount applicable to the Company is up to USD672.46 according to the OFAC Enforcement Guidelines. In order to address our potential violation, we had made an initial notification of VSD on 9 October 2020 and a full VSD report on 25 February 2021 to OFAC regarding these transactions. As advised by our International Sanctions Legal Advisors, we made one sale of U.S. origin cosmetic product to Crimea, for which a payment in an amount of GBP98.22 (approximately USD114.21) was received from the customer. This transaction appears to be a potential violation of EAR, which is applicable to this transaction with Crimea because of the U.S.-origin product involved, and the base penalty amount applicable to the Company is up to USD57.10 according to the BIS Enforcement Guidelines. In order to address our potential violation, we had made an initial notification of VSD on 15 October 2020 and a full VSD report on 25 February 2021 to BIS regarding this transaction. Our International Sanctions Legal Advisors have advised us that, based on their experience in working with companies presenting similar facts before OFAC and BIS, they believe that OFAC and BIS will likely close this matter by issuing a cautionary letter to our Group without imposing any penalty. As advised by our International Sanctions Legal Advisors, if OFAC and BIS were to impose monetary fines, such penalty amount will likely be further reduced by OFAC and BIS from the base penalty amount during a negotiated settlement process by taking into account of mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC. Our International Sanctions Legal Advisors have further advised us that the potential penalty to OFAC would most likely range from USD268.98 to USD470.71 after mitigation, and the potential penalty to BIS would most likely range from USD2.84 to USD39.97 after mitigation. To the best knowledge of our Directors, such penalties, even if imposed on our Group, could not have a material and adverse effect on our financial condition or results of operations. Up to the Latest Practicable Date, we had not received feedback or response from OFAC or BIS in respect of our VSDs submitted in February 2021. As advised by our International Sanctions Legal Advisors, OFAC and BIS are not subject to a statutory or regulatory timeframe to complete its review of our VSDs. It usually takes six to nine months to conclude a case after a full VSD is submitted but it is not uncommon for OFAC or BIS to take several years before concluding a case. It is believed that the progress of OFAC's and

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BIS's review of our VSDs to a certain extent was affected by the office closures and/or remote working arrangements due to the COVID-19 outbreak. We will, as soon as practicable after OFAC or BIS closes out our case, make appropriate disclosure and/or announcement in accordance with the applicable Listing Rules. For more details and our potential risk exposure, please refer to "Business — Sanctioned Countries" in this prospectus.

As advised by our International Sanctions Legal Advisors, apart from the Group's U.S. dollar-denominated sales and deliveries of our non-U.S. goods to Iran and Crimea which have implicated restriction as a result of Primary Sanctioned Activities under the US primary sanctions due to U.S. Dollar payments received for such sales and deliveries that USD-denominated funds transfers were processed through the U.S. financial system; and the Group's sale and delivery of U.S. origin cosmetic product to Crimea which has implicated restriction under the U.S. EAR due to sale and delivery of U.S.-origin goods to Crimea and thus constituted Primary Sanctioned Activities, we did not engage in other Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is specifically identified on the SDN List maintained by OFAC or other restricted parties lists maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia. Further, we have undertaken not to use the proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of international sanctions laws by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports (i) details of any new activities in Sanctioned Countries or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in Sanctioned Countries and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

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While we have implemented internal control measures to minimize our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions laws and regulations. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the UN, the U.K., the United Kingdom overseas territories, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. For more details of our business operations in the countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please refer to “Business — Sanctioned Countries” in this prospectus.

**If we fail to manage our inventory effectively, we may face the risk of inventory obsolescence.**

Our business model requires us to manage our inventory effectively. As disclosed in the section headed “Business — Business Flow” in this prospectus, we generally adopt a just-in-time inventory management strategy for most of the products we sell, but complemented by optimal amount of inventory for quick selling products. We depend on our demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Please see the section headed “Business — Inventory Management” for details. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we hope to sell it. Demand may be affected by seasonality, new product launches, changes in product life cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our customers may not order products in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast demand. Furthermore, the acquisition of certain types of inventory may require significant lead time and prepayment.

Our inventories have increased in recent periods, from approximately US\$4.5 million as at 31 December 2018 to approximately US\$5.4 million as at 31 December 2019, and further to approximately US\$8.4 million as at 31 December 2020. Our inventories turnover days were approximately 36 days, 34 days and 37 days for the three years ended 31 December 2020, respectively. As we plan to continue expanding our product offerings, we expect to include more SKUs in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

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If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important business purposes. Any of the above may materially and adversely affect our cash flow, results of operations and financial condition.

On the other hand, if we underestimate the demand for our products, or if our suppliers fail to supply products in our desired quality and quantity in a timely manner, we may experience inventory shortages, which might result in lost revenue due to missed sales, and diminished brand loyalty, any of which could harm our business and reputation.

### RISKS RELATING TO DOING BUSINESS IN HONG KONG

#### Political consideration of Hong Kong

While we operate our business globally, our operations are principally based in Hong Kong. Accordingly, our business operation and financial conditions will be affected by the political and legal developments in Hong Kong. Any adverse economic, social and/or political conditions, material social unrest, strike, riot, civil disturbance or disobedience, as well as significant natural disasters may adversely affect our business operations. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law, namely, Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Since a substantial part of our operations is based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our business, results of operations and financial positions.

The Hong Kong protests that began in 2019 were ongoing protests in Hong Kong (the "**Hong Kong Protests**") triggered by the introduction of the Fugitive Offenders amendment bill by the Hong Kong government. Despite not being enacted, similar incidents may cause large-scale protests or riots, which may materially and adversely affect various sectors of the Hong Kong economy.

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Under the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong is exclusively in charge of its internal affairs and external relations, while the government of the PRC is responsible for its foreign affairs and defence. As a separate customs territory, Hong Kong maintains and develops relations with foreign states and regions. As the Hong Kong National Security Law has been passed by Chinese Standing Committee of the National People's Congress and is commenced on 30 June 2020, followed immediately by the suspension of preferential treatment to Hong Kong given by the US Commerce Department, we cannot assure that Hong Kong's status as a Special Administrative Region of the People's Republic of China and its current relations with foreign states and regions will not be affected.

Our business operations is susceptible to the ongoing Hong Kong Protests as well as any other incidents or factors which affect the stability of the social, economic and political conditions in Hong Kong. Any drastic events may adversely affect our business operations. Such adverse events may include changes in economic conditions and regulatory environment, social and/or political conditions, civil disturbance or disobedience, as well as significant natural disasters. Given the relatively small geographical size of Hong Kong, any of such incidents may have a widespread effect on our business operations, which could in turn adversely and materially affect our business, results of operations and financial condition.

We cannot assure that the Hong Kong Protests will end in the near future and that there will be no other political or social unrest in the near future or that there will not be other events that could lead to the disruption of the economic, political and social conditions in Hong Kong. If such events persist for a prolonged period of time or that the economic, political and social conditions in Hong Kong are to be disrupted, our overall business and results of operations may be adversely affected.

### **Currency peg system in Hong Kong**

Since 1983, Hong Kong dollars have been pegged to the US dollars at the rate of approximately HK\$7.80 to US\$1.00. There is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the value of the Hong Kong dollars rises against the US dollar, our sale in US or other US currency based regions may be adversely affected.

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### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares and the liquidity and market price of the Shares may be volatile.**

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. Upon the Listing, approximately 42.47% of the total issued share capital of our Company will be held by the public. The Shares held by PCCW e-Ventures Limited, Lui Pak Shing Michael, Pacven Walden Ventures IV, L.P. and WIIG-Nikko IT LLC, and certain Shares held by a number of our senior management members, which represent approximately 33.75% and 30.37% of the issued share capital of the Company immediately before and after the completion of the Global Offering, respectively (on the basis that all the Preferred Shares of the Company are converted into our Shares according to their respective conversion ratios and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme), are subject to the Voluntary Lock-up Arrangements from two to six months from the date of Listing. For details, please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — 6. Voluntary Lock-up”. There is no assurance that the Listing will result in the development of an active, liquid public trading market for the Shares after the Global Offering.

In addition to market and industry factors, the price and trading volume of the Shares may be highly volatile for specific business reasons, including:

- our financial results;
- unexpected business interruptions;
- major changes in our key personnel or senior management;
- our inability to compete effectively in the E-commerce and Japanese offline entertainment wholesale industry;
- changes in financial estimates by securities research analysts;
- media reports, whether or not true, about our business;
- fluctuations of exchange rates between the U.S. dollar, RMB, Korean Won, Japanese Yen, Euro, Great Britain Pound;

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- release or expiry of lock-up or other transfer restrictions on our outstanding Shares;
- sales or perceived potential sales of Shares by us, or our Shareholders;
- general economic and market conditions and overall fluctuations in Hong Kong equity markets;
- changes in accounting principles; and
- changes or developments in global regulatory environment.

**Issue of new Shares under the Share Option Schemes will have a dilution effect and may affect our profitability.**

We adopted the Pre-IPO Share Option Schemes and have conditionally adopted the Post-IPO Share Option Scheme. Any exercise of the options to be granted under the Share Option Schemes in the future will result in a dilution in the shareholding of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. Under the HKFRS, the costs of share options to be granted under the Share Option Schemes will be charged to our Group's combined statement of profit or loss and other comprehensive income over the vesting period by reference to the fair value as at the date of grant of the share options. As a result, our profitability and financial results may be adversely affected.

**Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares.**

Future issues of securities by our Company or the disposal of Shares by any of the Controlling Shareholders or Shareholders owning 5% or more of the Shares; or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date whereby the Controlling Shareholders undertake that they (i) shall not dispose of any of the Shares within the first six months period, and (ii) shall not cease to be a controlling shareholder of our Company during the period of six months commencing on the date on which the first six month period expires. See "Underwriting — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertaking by our Controlling Shareholders", "Relationship with Controlling Shareholders — 6. Voluntary Lock-up" in this prospectus. We cannot give any assurance that the Controlling Shareholders will not dispose of their Shares in the future.

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**Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. 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 Price Determination Date. As a result, investors may not be able to sell or deal in our Shares during that period. The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, profit for the year and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products or fluctuations in market prices for other distributors of cosmetic products could cause the market price of our Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our Shares are traded. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

**We may not have surplus to distribute dividends after the Global Offering.**

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios. Also, we currently do not have a plan to pay dividends in the foreseeable future after the Global Offering, as a result, we do not expect to pay any dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income. Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, distributions received from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

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**You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information. You should only rely on the information contained in this prospectus, the application forms and any formal announcement made by us in making your investment decision regarding our Shares.

**You should not place undue reliance on facts, forecasts, estimates and other statistics in relation to the economy or our industry contained in this prospectus.**

Certain facts, forecasts, estimates and other statistics in this prospectus about the economy and the exhibition industry are derived from various government sources and commissioned research reports. We cannot guarantee their quality or reliability, and their accuracy and completeness have not been independently verified by us or any of our respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them.

**We cannot guarantee that our operational data and other statistics extracted from our IT system and contained in this prospectus is reflective of the actual situation and performance of our Company.**

Certain operational data set out in this prospectus has been extracted from our IT system and subject to certain assumptions as disclosed in this prospectus. Despite that we have engaged our IT Consultant to verify the accuracy of output generated from our IT system, our IT system could only reflect the best available information of our Company at a particular time, and the data extracted and disclosed in this prospectus might not fully reflect the actual situation or performance of our Company. In particular, in respect of our

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## RISK FACTORS

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total number of customers during the Track Record Period, a person is considered as a customer on our E-commerce platforms of a certain period if the first invoice of his/her/its order has been issued within the reporting period, and a person who made his/her/its purchases with different customer account details or on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform. As such, any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers. As it is practically impossible for us to verify the identities of each holder of accounts on our E-commerce platforms, and to ascertain whether a person holds various accounts on our E-commerce platforms, the number of customers disclosed in this prospectus might not fully reflect the actual situation or performance of our Company, and therefore should not be unduly relied upon.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties and could prove inaccurate.**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

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**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE  
WITH THE LISTING RULES AND THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32)**

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In preparing for Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules and the Companies (WUMP) Ordinance (where applicable).

**WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEMES**

The Listing Rules and the Companies (WUMP) Ordinance prescribe certain disclosure requirements in relation to the share options granted by our Company (the “**Share Options Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, *inter alia*, disclose in the prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.
- (c) Under Section 38(1) of the Companies (WUMP) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance.
- (d) Under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the prospectus.

As at the Latest Practicable Date, our Company had outstanding options granted under the Pre-IPO Share Option Schemes to 1 grantee under the 2005 Pre-IPO Share Option Scheme and 125 grantees under the 2016 Pre-IPO Share Option Scheme, and such options represent an underlying aggregate of 24,176,680 Shares, representing approximately 6.11%

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**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE  
WITH THE LISTING RULES AND THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32)**

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of the enlarged issued shares of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised).

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 38A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance, on the grounds that such waiver and exemption would not prejudice the interests of the investing public and that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) since the outstanding options granted under the Pre-IPO Share Option Schemes were granted to 1 grantee under the 2005 Pre-IPO Share Option Scheme (which is a Director) and 125 grantees under the 2016 Pre-IPO Share Option Scheme (which include two (2) Directors, five (5) members of the senior management, one (1) connected person grantee who is not a Director or member of the senior management of our Company and 117 other employees of our Group), strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the prospectus is unduly burdensome and will require substantial number of pages of additional disclosure and would significantly increase the cost and timing for information compliance, prospectus preparation and printing;
- (b) the key information of the options granted under the Pre-IPO Share Option Schemes to the Directors, members of the senior management and connected persons has already been disclosed in the prospectus under the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 1. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus;
- (c) the key information of the Pre-IPO Share Option Schemes as disclosed in this prospectus under the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 1. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per Share of the options granted under the Pre-IPO Share Option Schemes in their investment decision making process; and

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**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE  
WITH THE LISTING RULES AND THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32)**

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- (d) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix I to the Listing Rules on the conditions that:

- (a) the following information will be clearly disclosed in the prospectus:
- (i) on individual basis, full details of all outstanding options granted by our Company under the Pre-IPO Share Option Schemes to Directors, members of the senior management, connected persons of our Company and thirteen (13) other grantees who have each been granted options representing the right to subscribe for at least 260,000 Shares after Listing (who are not Directors, members of the senior management or connected persons of our Company), as required under the applicable Share Options Disclosure Requirements;
  - (ii) in respect of the outstanding options granted by our Company to the grantees other than those referred to in sub-paragraph (i) above:
    - (1) the aggregate number of the grantees;
    - (2) the aggregate number of Shares subject to such outstanding options;
    - (3) the consideration paid for the grant of such options;
    - (4) the exercise period of the options; and
    - (5) the exercise price for the options;
- (b) the dilution effect and impact on earnings per Share upon full exercise of the outstanding options granted under the Pre-IPO Share Option Schemes be disclosed in the prospectus;
- (c) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Schemes and the percentage of our Company's issued share capital of which such number represents be disclosed in the prospectus;
- (d) a summary of the Pre-IPO Share Option Schemes be disclosed in the prospectus;

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**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE  
WITH THE LISTING RULES AND THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32)**

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- (e) the list of all the grantees (including the persons referred to in paragraph (a)(ii) above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance be made available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection” in Appendix V to this prospectus;
- (f) the grant of a certificate of exemption under the Companies (WUMP) Ordinance from the SFC exempting the Company from the applicable Share Options Disclosure Requirements; and
- (g) the particulars of the waiver will be disclosed in the prospectus.

The SFC has agreed to grant us the certificate of exemption under section 38A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance on the conditions that:

- (a) on individual basis, full details of all outstanding options granted by our Company under the Pre-IPO Share Option Schemes to Directors, members of the senior management, connected persons of our Company and thirteen (13) other grantees who have each been granted options representing the right to subscribe for at least 260,000 Shares under the Pre-IPO Share Option Schemes after Listing (who are not Directors, members of the senior management or connected persons of our Company) be disclosed in the prospectus, such details include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance;
- (b) in respect of the outstanding options granted by our Company to the grantees other than those referred to in sub-paragraph (a) above, the following details be fully disclosed in the prospectus:
  - (i) the aggregate number of the grantees;
  - (ii) the aggregate number of Shares subject to such outstanding options;
  - (iii) the consideration paid for the grant of such options;
  - (iv) the exercise period of the options; and
  - (v) the exercise price for the options;

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**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE  
WITH THE LISTING RULES AND THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32)**

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- (c) the list of all the grantees (including the persons referred to in sub-paragraph (b) above) who have each been granted options representing the right to subscribe for Shares under the Pre-IPO Share Option Schemes after Listing, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, be made available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection” in Appendix V to this prospectus; and
- (d) the particulars of the exemption be disclosed in the prospectus, and that this prospectus will be issued on or before 28 June 2021.

Further details of the Pre-IPO Share Option Schemes are set forth in the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 1. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Our Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

### **UNDERWRITING**

This prospectus is published in connection with the Global Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered with the International Underwriters on or around the Price Determination Date.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) by Thursday, 8 July 2021, the Global Offering will not proceed and will lapse immediately. Further details about the Underwriters and the underwriting arrangements are contained in the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

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

**SHARE REGISTER AND STAMP DUTY**

All Offer Shares will be registered on the Share register of members of our Company maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Dealings in our Shares registered on the Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Unless determined otherwise by our Company, dividends payable in respect of our Shares will be paid to the Shareholders listed on the Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

**COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 9 July 2021. Shares will be traded in board lots of 1,000 Shares each. The stock code for our Shares is 2209. Our Company will not issue any temporary documents of title.

**SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek advice of their stock brokers or other professional advisers for details of the settlement arrangements that may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Our Hong Kong Offer Shares” in this prospectus and the relevant Application Forms.

### STRUCTURE AND CONDITION OF THE GLOBAL OFFERING

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

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain USD amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of USD into Hong Kong dollars and vice versa have been made at the rate of USD1.00 to HK\$7.75 in this prospectus.

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

### LANGUAGE

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

**ROUNDING**

Amounts and percentage figures, including share ownership, operating and financial data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in millions, amounts of less than one hundred thousand have been rounded to the nearest hundred thousand, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, total of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

**WEBSITE**

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

**OTHER**

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS**

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. LAU Kwok Chu (劉國柱)	Flat B, 43/F Block 9 Island Harbourview 11 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Ms. CHU Lai King (朱麗琼)	Flat B, 43/F Block 9 Island Harbourview 11 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Ms. WONG Shuet Ha (黃雪夏)	7D, 1 Nassau Street Kowloon Hong Kong	Chinese
<i>Non-executive Directors</i>		
Mr. LUI Pak Shing Michael (雷百成)	Flat C, 37/F Tower 2 Marina Habitat Hong Kong	Chinese
Mr. HUI Yat Yan Henry (許日昕)	Flat H, 38/F Tower 19 South Horizons Ap Lei Chau Hong Kong	Chinese
Mr. POON Chi Ho (潘智豪)	Room F, 27/F Block 2 Tseung Kwan O Plaza Tseung Kwan O New Territories Hong Kong	Chinese

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Mr. CHAN Yu Cheong (陳汝昌)	Flat E, 5/F Lung Man Building Ho Man Tin Kowloon Hong Kong	Chinese
Mr. SIN Pak Cheong Philip Charles (冼栢昌)	Flat 11A Block 5 Cavendish Heights 33 Perkins Road Hong Kong	Chinese
Mr. WONG Chee Chung (王子聰)	Unit 1205, 12/F Block G Kornhill Quarry Bay Hong Kong	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details of our Directors.

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Sole Sponsor and Sole Global  
Coordinator**

**UOB Kay Hian (Hong Kong) Limited**  
6/F Harcourt House  
39 Gloucester Road  
Hong Kong

**Joint Bookrunners**

**UOB Kay Hian (Hong Kong) Limited**  
6/F Harcourt House  
39 Gloucester Road  
Hong Kong

**Anuenue Securities Limited**  
28/F, 18 Pennington Street  
Causeway Bay  
Hong Kong

**China Everbright Securities (HK) Limited**  
12/F, Everbright Centre  
108 Gloucester Road  
Wanchai, Hong Kong

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

**ICBC International Capital Limited**  
37/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**Soochow Securities International Brokerage Limited**  
17/F, Three Pacific Place  
1 Queen's Road East  
Hong Kong

**VMS Securities Limited**  
49/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Lead Managers

#### **UOB Kay Hian (Hong Kong) Limited**

6/F Harcourt House  
39 Gloucester Road  
Hong Kong

#### **Anuenue Securities Limited**

28/F, 18 Pennington Street  
Causeway Bay  
Hong Kong

#### **China Everbright Securities (HK) Limited**

12/F, Everbright Centre  
108 Gloucester Road  
Wanchai, Hong Kong

#### **Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### **ICBC International Securities Limited**

37/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

#### **Maxa Capital Limited**

Unit 1908, 19/F, Harbour Center  
25 Harbour Road  
Wan Chai Hong Kong

#### **Soochow Securities International Brokerage Limited**

17/F, Three Pacific Place  
1 Queen's Road East  
Hong Kong

#### **Valuable Capital Limited**

Unit 2808, 28/F, China Merchants Tower  
Shun Tak Centre, 168–200 Connaught Road Central  
Central, Hong Kong

#### **VMS Securities Limited**

49/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Legal advisors to our Company</b>	<i>As to Hong Kong law</i> <b>Ropes &amp; Gray</b> 44th Floor One Exchange Square 8 Connaught Place Central Hong Kong
	<i>As to International Sanctions law</i> <b>Hogan Lovells</b> 11th Floor One Pacific Place 88 Queensway Hong Kong
<b>Legal advisors to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law</i> <b>Winston &amp; Strawn</b> 42nd Floor Bank of China Tower 1 Garden Road Central Hong Kong
<b>Auditor and Reporting accountant</b>	<b>RSM Hong Kong</b> <i>Certified Public Accountants</i> 29th Floor Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
<b>Compliance advisor</b>	<b>UOB Kay Hian (Hong Kong) Limited</b> 6/F Harcourt House 39 Gloucester Road Hong Kong
<b>Internal Control Consultant</b>	<b>RSM Consulting (Hong Kong) Limited</b> 29th Floor Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Industry Consultant**

**Frost & Sullivan Limited**  
1706, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Receiving bank**

**Bank of China (Hong Kong) Limited**  
1 Garden Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	5/F., KC100 100 Kwai Cheong Road Kwai Chung New Territories Hong Kong
<b>Headquarters and principal place of business in Hong Kong</b>	5/F., KC100 100 Kwai Cheong Road Kwai Chung New Territories Hong Kong
<b>Company's website</b>	<i>www.yesasiaholdings.com</i> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. NG Sai Cheong (伍世昌) 5/F., KC100, 100 Kwai Cheong Road, Kwai Chung New Territories Hong Kong
<b>Authorised representatives</b>	Mr. LAU Kwok Chu (劉國柱) Mr. NG Sai Cheong (伍世昌)
<b>Audit Committee</b>	Mr. WONG Chee Chung (王子聰) ( <i>Chairman</i> ) Mr. HUI Yat Yan Henry (許日昕) Mr. SIN Pak Cheong Philip Charles (洗栢昌) Mr. CHAN Yu Cheong (陳汝昌)
<b>Nomination Committee</b>	Mr. SIN Pak Cheong Philip Charles (洗栢昌) ( <i>Chairman</i> ) Ms. WONG Shuet Ha (黃雪夏) Mr. CHAN Yu Cheong (陳汝昌) Mr. WONG Chee Chung (王子聰)
<b>Remuneration Committee</b>	Mr. CHAN Yu Cheong (陳汝昌) ( <i>Chairman</i> ) Mr. POON Chi Ho (潘智豪) Mr. WONG Chee Chung (王子聰) Mr. SIN Pak Cheong Philip Charles (洗栢昌)

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## CORPORATE INFORMATION

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**Hong Kong Share Registrar**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

**Principal Banks**

The Hongkong and Shanghai Banking  
Corporation Limited  
DBS Bank (Hong Kong) Limited

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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the report prepared by Frost & Sullivan (the “F&S” Report), an independent industry consultant which was commissioned by us. The information extracted from the F&S Report should not be considered as a basis for investments in the Offer Shares or as an opinion of Frost & Sullivan to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the F&S Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and Joint Book Managers, or any other parties (excluding Frost & Sullivan) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this Industry Overview section is derived from the F&S Report.<sup>1</sup>*

### OVERVIEW OF ONLINE RETAILING MARKET IN KEY REGIONS

#### Percentage of Online Retail Sales over Total Retail Sales in Key Regions

In general, online retailing market has started to play an increasingly important role in the total retailing market. In the key global regions (referring to the US, the UK, Canada, Australia, France, and Germany in the Industry Overview Section) where the Group’s

<sup>1</sup> We commissioned Frost & Sullivan, an independent advisory firm with relevant industry experience, to conduct an analysis of, and to report on, Global Online Retailing Market. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. We agreed to pay Frost & Sullivan a fee of HK\$450,000. Our payment of such fee is not contingent upon the results of the report or the analysis therein. Frost & Sullivan’s independent research was undertaken through both primary and secondary research obtained from various public and private sources, as well as our management with respect to our market position. Primary research involved interviewing leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own database.

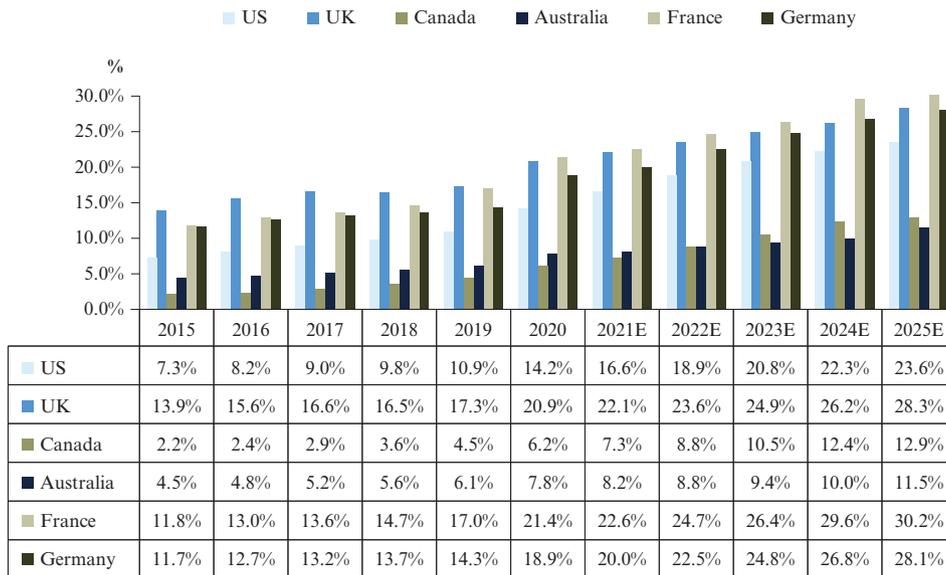
F&S report was based on the following assumptions: (i) the global economy is likely to maintain stable growth after 2020 as the outbreak of COVID-19 is expected to be controlled with increasingly effective public health responses implemented since 2020; (ii) outbreak of COVID-19 has accelerated the shift toward online consumption and caused changes in online shopping behaviors that are expected to have lasting effects, and thus leading a faster growth in E-commerce B2C sales in global market in the forecast period; (iii) the increasingly public health responses are expected to ensure the normalcy of all industries and sectors in global markets; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected materially.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York, United States of America. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, financial, technology, media and telecom.

## INDUSTRY OVERVIEW

customers located, the percentage of online retail sales over total retail sales has been increasing steadily. This was primarily due to, among others, (i) growing number of online retailers and online shoppers; (ii) changing purchase behavior and attitude toward online shopping; (iii) steady development of warehousing, logistics and IT infrastructure; and (iv) value propositions of online shopping (e.g. easy to browse and select products, less invasive shopping experience, price and product comparison, abundant details for products, reduced travel time and cost, 24/7 accessibility, review and comment, diversified and evolving marketing activities). The following chart sets forth the historical and expected percentage of online retail sales over total retail sales in key regions for the periods indicated:

**Percentage of Online Retail Sales over Total Retail Sales in Key Regions, 2015–2025E**



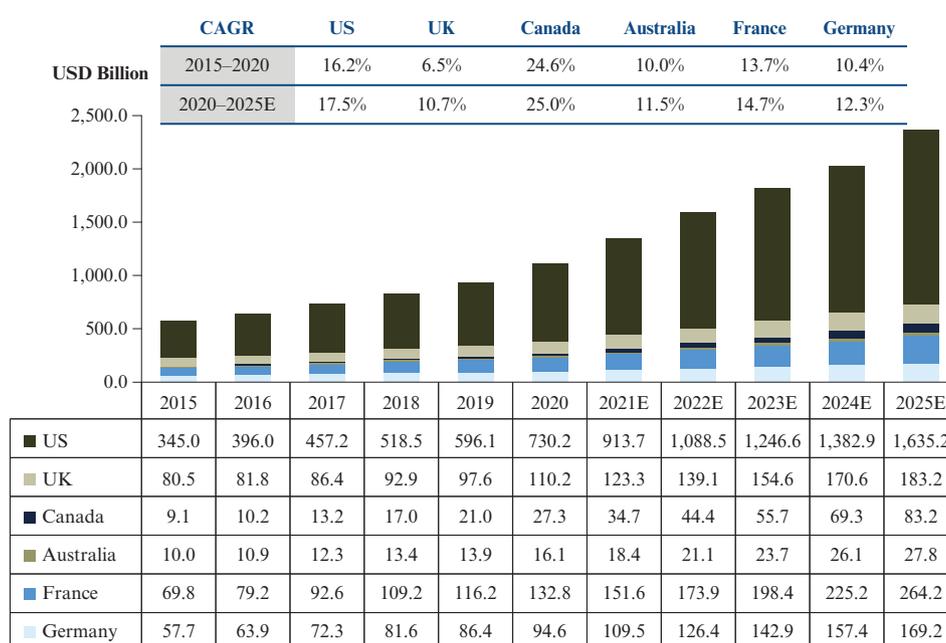
*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat*

## INDUSTRY OVERVIEW

### Online Retailing Market — Market Size and Growth in Key Regions

According to the F&S Report, driven by the increasing penetration rate of online retailing, the key regions, namely the US, the UK, Canada, Australia, France, and Germany, all witnessed a notable growth in terms of online retail sales from 2015 to 2020. Among the key regions, the US is the largest online retailing market with online retail sales of approximately USD730.2 billion in 2020. France, the UK, and Germany, which are the three leading economies in Europe, generated online retail sales of approximately USD132.8 billion, USD110.2 billion and USD94.6 billion in 2020, respectively. Online retail sales in Canada and Australia in 2020 were USD27.3 billion and USD16.1 billion, respectively. The CAGR of online retail sales during 2020 and 2025 is expected to be higher than that during 2015 and 2020. The following chart sets forth the historical and expected online retail sales in key regions for the periods indicated:

### Online Retailing Market — Market Size and Growth in Key Regions, 2015–2025E



*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat*

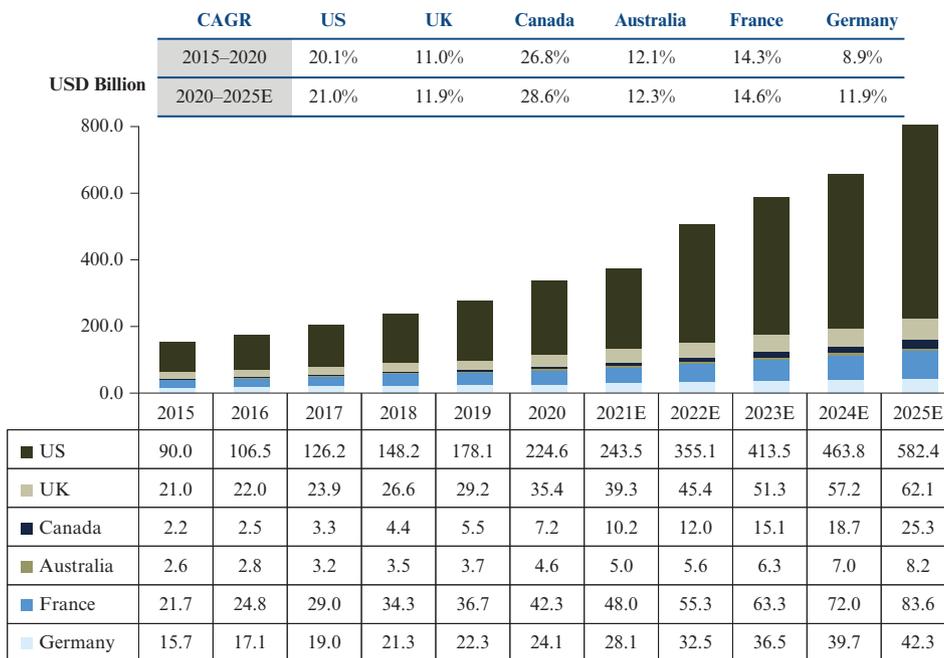
### Online Fashion Retailing Market and Beauty Product Retailing Market — Market Size and Growth in Key Regions

Fashion (referring to clothes, footwear, bag, and accessories) and beauty product (referring to cosmetics and skin care products), particularly Korean beauty products, are major product categories that the Group primarily engages in. The market development and future trends of these product categories in online retailing are of importance to the Group's business operations.

## INDUSTRY OVERVIEW

For consumers who shop online, fashion is one of the major product categories in the online retailing market. According to the F&S Report, the online fashion retailing market in key regions witnessed a notable growth, primarily due to growing consumption power, fast changing fashion trend, and the continuous penetration of online shopping. In future, outbreak of COVID-19 has accelerated the shift toward online consumption and caused changes in online shopping behaviors that are expected to have lasting effects, and thus leading a faster growth in E-commerce B2C sales in global market in the forecast period. For example, according to OCED (The Organisation for Economic Co-operation and Development), while in the US the share of e-commerce in total retail had only slowly increased between the first quarter of 2018 and the first quarter of 2020 (from 9.6% to 11.8%), it spiked to 16.1% in the second quarter of 2020. The development was similar for the UK, where the share of e-commerce in retail rose from 17.3% for the first quarter of 2018 to 20.3% for the first quarter of 2020, and rose significantly to 31.3% in the second quarter of 2020. In line with the macro trend of online retailing, online fashion retailing market is expected to witness a solid growth in the forecast period, as fashion is lifestyle centric, covering all aspects of modern daily life from outfit of the day to active lifestyle. The following chart sets forth the historical and expected online fashion retail sales in key regions for the periods indicated:

### Online Fashion Retailing Market — Market Size and Growth in Key Regions, 2015–2025E

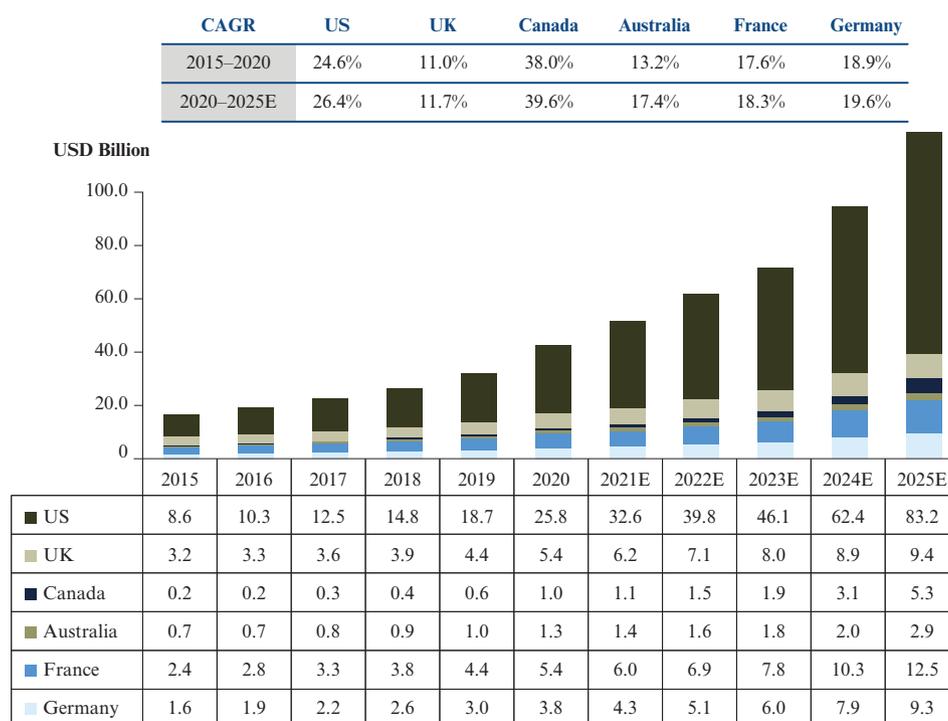


*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

## INDUSTRY OVERVIEW

For consumers who shop online, beauty product is also one of the major product categories in the online retailing market. The online beauty product retailing market in key regions witnessed a notable growth, primarily due to growing consumption power, widening product selections, increasing awareness of skincare and the continuous penetration of online shopping. Similar to the future development of online fashion category, online beauty product retailing market is expected to grow notably due to the change of consumption behavior triggered by the outbreak of COVID-19. Customers become more cautious about staying in public places and partly shift their consumption from offline to online, in order to avoid the risk of crowds and the inconvenience of offline shopping. It is expected that customers increasingly purchase online and expand their online shopping into categories that they would have previously only bought in brick-and-mortar stores. The following chart sets forth the historical and expected online beauty product retail sales in key regions for the periods indicated:

**Online Beauty Product Retailing Market — Market Size and Growth in Key Regions, 2015–2025E**

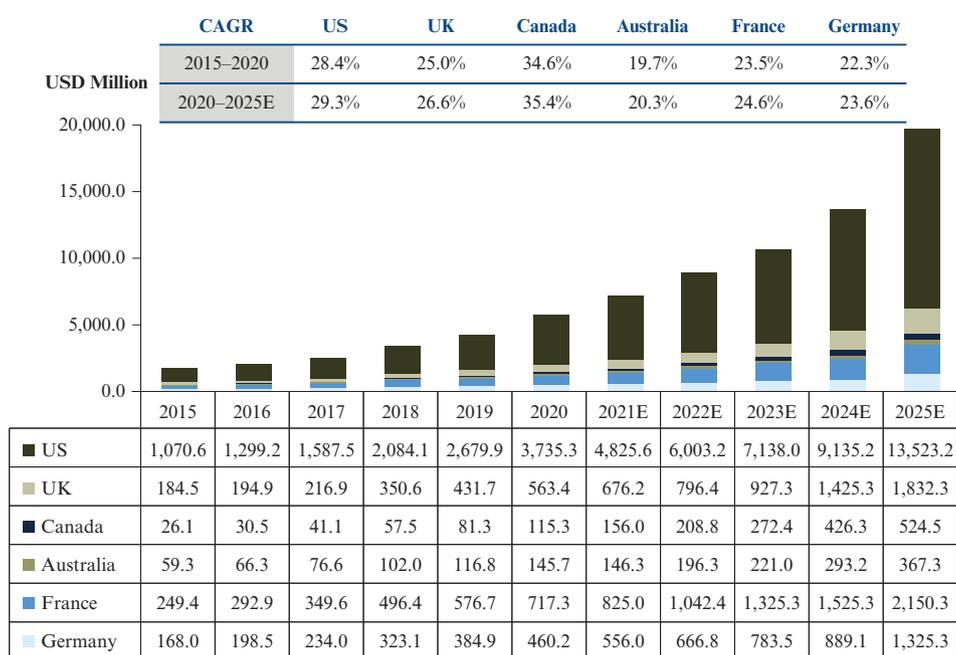


*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

## INDUSTRY OVERVIEW

Korean beauty product is a sub-segment of the whole beauty product category, and it has become more prevalent in recent years due to wider recognition of Korean culture and improved brand reputation backed by product quality and reasonable pricing. South Korea is one of the key beauty product manufacturing countries in the world, and the sufficient R&D and manufacturing capabilities are able to ensure the stability of supply chain and facilitate product proliferation to meet evolving demand from downstream markets. The market share of Korean beauty product in the online beauty product retailing market in all key regions has experienced continuous growth from 2015 to 2020. This market share are expected to further increase through 2025. The market share level of key regions (US, UK, Canada, Australia, France, and Germany) in 2015, 2020, and 2025E are 5.8%–13.1%, 10.4–14.5%, and 9.9–19.5%, respectively. The following chart sets forth the historical and expected online Korean beauty product retail sales in key regions for the periods indicated:

**Online Korean Beauty Product Retailing Market — Market Size and Growth in Key Regions, 2015–2025E**



*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

## INDUSTRY OVERVIEW

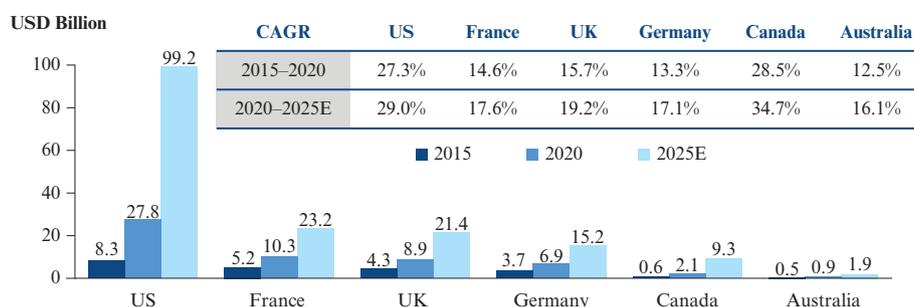
### Online Cross-border Fashion Retailing Market and Online Cross-border Beauty Product Retailing Market — Market Size and Growth in Key Regions

As the Group is a global e-commerce platform headquartered in Hong Kong and primarily engages in online cross-border retailing among key global regions, the development and trends of online cross-bordering retailing are also the key indicators to reflect the Group’s market opportunities.

Based on the locations of merchant and consumer, online retailing can be segmented into cross-border online retailing and within-border online retailing. Cross-border online retailing is a form of international trade which consumers purchase online from merchants located in other countries and jurisdictions, while within-border online retailing refers to online transactions made by merchants and consumers who are located in the same country or jurisdiction.

Online cross-border channel has already become one of the main channels for consumers to purchase. With growing income per capita, higher expectation on products variety/brands, ease of logistics which enables global delivery and advertisements by cross-border online retailers, consumers have increasingly used to purchase products/brands among a wide range of selections, including foreign merchandises. The following chart sets forth the historical and expected online cross-border fashion retail sales in key regions for the periods indicated:

**Online Cross-border Fashion Retailing Market — Market Size and Growth in Key Regions, 2015–2025E**

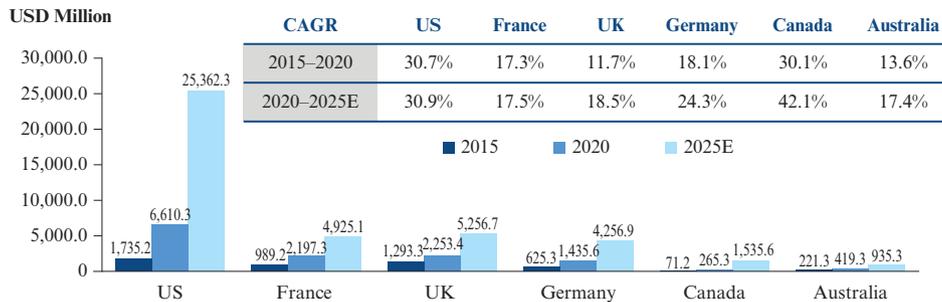


*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

## INDUSTRY OVERVIEW

In line with the trend of online beauty product retail sales, the online cross-border beauty product retailing market in the key global regions also witnessed a rapid growth from 2015 to 2020. However, as online cross-border retailers are able to offer product selections that are differentiated from the domestic online retailers, the domestic consumers have been inclined to purchase products from foreign markets via online channel. The following chart sets forth the historical and expected online cross-border beauty product retail sales in key regions for the periods indicated:

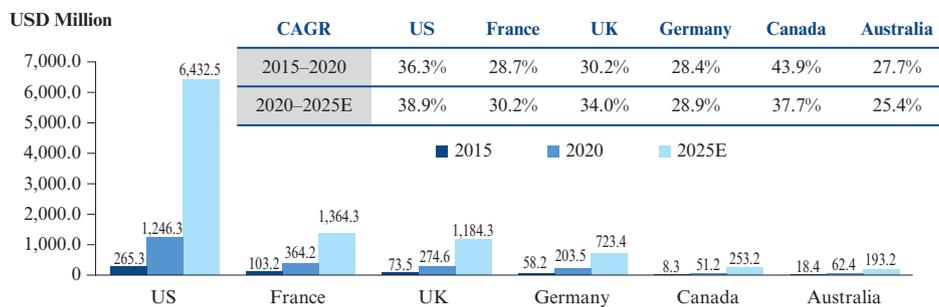
### Online Cross-border Beauty Product Retailing Market — Market Size and Growth in Key Regions, 2015–2025E



*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

Driven by the popularity of Korean culture, more emphasis put on skin care among consumers, and more beauty products can be selected on cross-border Korean beauty websites, online cross-border Korean beauty retailing market in key regions have been developing rapidly in recent years. In the future, the online cross-border Korean beauty product retailing market is expected to keep growing due to increased exposure of Korean beauty product and reputation backed by product quality and reasonable pricing. The following charts set forth the historical and expected online cross-border Korean beauty retail sales and percentage of online cross-border Korean beauty retail sale over online Korean beauty retail sale in key regions for the periods indicated:

### Online Cross-border Korean Beauty Product Retailing Market — Market Size and Growth in Key Regions, 2015–2025E



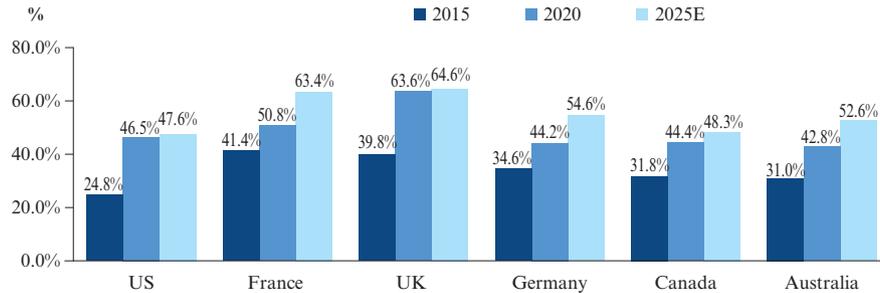
*Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report*

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## INDUSTRY OVERVIEW

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The percentage of online cross-border Korean beauty product retail sale over online Korean beauty product retail sale was more than 40% in global key regions in 2020, and it is expected to reach more than 45% in global key regions in 2025. Limited access of Korean beauty product in offline retail channel is the key reason that contributes to such high percentage of online cross-border Korean beauty product retail sale over online Korean beauty product retail sale.



Source: Frost & Sullivan, U.S. Census Bureau, The Office for National Statistics, StatCan, Australian Bureau of Statistics, Eurostat, Statista, Company Annual Report

### Market Drivers of Online Cross-border Retailing Market

#### *Bottlenecks of Traditional Export Trade*

Global consumers are becoming more easily to directly purchase products through cross-border online retailers. In this way, it shortened the intermediate links of trade and reduced the cost of commodity circulation. Besides, it solves the difficulties in expansion, inefficiency, and information asymmetry of the traditional export trade. Additionally, the traditional export trade has been entering into stagnation with the decline in traditional trade activities due to the outbreak of COVID-19. Therefore, the depression of traditional export trade and outbreak of COVID-19 are expected to bring huge potential opportunities for cross-border online retailers in global market.

#### *Improvement of Data Technology and Popularity of Mobile Devices*

The improvement of data technology infrastructure greatly increases the speed of Internet access and reduces the operational cost of e-commerce operators in the world. Online retailers can take advantage of the relatively cheap cloud facilities and cloud services, which have strong capabilities of data processing and analyzing, to conduct products development and precision marketing as well as enhance customer service efficiency. Recently, the processing power, affordability and sustainability of mobile devices have been improved, which enable customers to make impulsive and instant purchase conveniently.

### *More Potential Markets and Online Retailers*

With the popularization of computers and mobile devices and the increasing online penetration rate, more potential markets can be exploited by online cross-border retailers. Consumers have increasingly wanted to purchase a wider range of product/brand selections, including foreign merchandises. Also, in order to expand business coverage, more online retailers are willing to sell products to overseas consumers with the proliferation of consumer touchpoints (e.g. social media and live streaming) and improved logistics and warehousing infrastructure.

### **Future Trends of Online Cross-border Retailing Market**

#### *Growth of Influencer Marketing*

The growth of influencer marketing witnessed an increasing tendency and became one of the most impactful market drivers and trends for online retailing industry. Influencers can quickly build relationships, trust and credibility with their fans, followers and friends that respect and value their content and recommendations. They also greatly improve brand awareness by putting their advice in front of an actively engaged audience. At the same time, valuable content can add to their social media presence, ensuring value creation on both sides. Connecting and engaging with an influencer can build a powerful relationship and assist innovative online retailers to reach their target audience and further expand their business.

#### *Optimized Supply Chain*

Leading online retailers continued to optimize their supply chain. AI-empowered operating system first navigates the internet and generates the analysis of the latest consumer trend and features. In the meantime, through various interactive channels, influencers understand the demands of their fans and feed the information back to the supply chain. The supply chain then moves to the designing of products and passes along to influencers to test the reaction of the market. With pre-sale, the supply chain is able to reduce the burden of heavy inventory. Compared with traditional online retailing supply chains, flexible supply chains can respond to market demands faster and launch more trendy items, hence promoting the sustainable development of the online retailing industry.

#### *Increasing Popularity of Live Streaming*

Live streaming has become an even more important sales medium and continued to play an increasingly major role in global online retailing market. Live streaming hosts real-time broadcasting of video content by influencers that model or try out products. Viewers are able to purchase featured items while watching a video through online platforms. A trusted influencer who interacts and engages with consumers during live streaming may provide recommendations to help consumers focus on one product and make a purchasing decision more easily. With the popularity of live streaming, innovative online retailers are able to draw large numbers of customers and further prompt the development of the industry.

### ***Increasing Popularity of Korean Culture and Fashion and Beauty Products***

With the impact of COVID-19 and the constraints it imposed on international travelling, shoppers around the world are switching from purchases at local retail stores to online shopping through cross-border retailing platform. Meanwhile, Korean fashion and beauty products in online cross-border retailing are experiencing rising popularity. As Korean culture has been gradually spread out through Internet, K-pop and Korean TV shows, they will continuously be effective medium to deliver fashion style, popular Korean skin care and make up brands to the audience around the world. They are also being promoted, endorsed, and advertised by celebrities and influencers through news and social media. Further, shoppers who obtain a positive perception toward Korean culture would share a strong preference and intention to purchase Korean related beauty and fashion products. Thus, Korean fashion and beauty products carried through online cross-border retailing are expected to obtain great potential and further grow in its popularity and market size, and this trend is expected to sustain during and after the process of post-pandemic recovery in the next five years.

### **Entry Barrier of Online Cross-border Retailing**

#### ***Technology Capability***

The operation of e-commerce platforms needs the accumulation of technology capability, large amount of data and high stability in response to complex internet environments. The accumulation of technology capability and large amount of data could enhance the efficiency of operating one-stop online retailing platforms. A stable and efficient e-commerce infrastructure is required to ensure the normal operation of the whole process. Furthermore, the technology capability of mature marketplaces requires high availability in various complex environments, such as new language website and localized product recommendation that require sufficient amount of investment. Therefore, new entrants can hardly have mature technology capability to satisfy such conditions.

#### ***Operation Capability***

E-commerce platforms generally formed their own operation capability with the accumulation of time and experience. With long-term operation of online direct platforms, the participants have fostered a strong operation and management team as well as skillful technician reserve and obtained sufficient operation experience with high efficiency and quality services. New entrants without the accumulation of long-term experience scarcely have operation capability to manage online direct platforms effectively.

#### ***Sufficient Sources of Goods***

E-commerce platforms need to establish strong capability of sourcing diversified product categories from various suppliers in order to meet customers' demand. To ensure sufficient sources of goods is required to have sufficient capital and stable business network with suppliers. New entrants may face challenges to establish such capabilities, which pose a barrier to them.

### COMPETITIVE LANDSCAPE

#### **Brief Introduction of the Competitive Landscape of Online Retailing**

Online retailing market is fragmented and highly competitive with a large number of market players, and they compete with each other in specific market segment or multiple market segments, depending on their product categories. As our Group specializes in fashion and beauty product, particularly Korean beauty product, our Group faces competition from offline retailers and online retailers that sell similar products. The online shopping advantages, including convenience, wider product selection, competitive pricing, etc., are changing consumer behavior, resulting in a notable decline of in-store sales in the market segments of fashion and beauty product. Therefore, as compared to those pure offline retailers in the above-mentioned market segments, online retailers are expected to become increasingly prevalent and continuously take share from offline channel.

In general, leading online fashion retailers in the Group's six major markets, namely the US, the UK, Canada, Australia, France and Germany are mostly traditional department stores and fashion specialty retailers. Given their brand recognition, customer base and operational experience, they have strong competitive edges to expand the online retailing market within their business network. In terms of Korean beauty, leading online retailers in the US, the UK, Canada, Australia, France and Germany are usually beauty specialized stores and traditional department stores that have established omni-channels.

Our Group is an online cross-border retailer that bridges Asian products with customers worldwide. As online cross-border retailers share a similar business model which primarily engage in the procurement and online sale of products to customers around the world, leading online cross-border retailers are our Group's market comparable companies.

#### **Competitive Landscape of Online Cross-border Fashion Retailing Market in US, the UK, Canada, Australia, France and Germany**

The competitive landscape of online cross-border fashion retailing market is fragmented and highly competitive with numerous market players. The market share of top three major players of online cross-border fashion retailing market in the US, the UK, Canada, Australia, France and Germany in 2020 accounted for approximately the 5.3%, 3.9%, 3.7%, 6.2%, 6.5%, and 3.7% of online cross-border fashion retail sales, respectively. The major market players are global e-commerce platforms headquartered in China, the UK, Germany, Italy or the US, and mainly engage in fashion segment, including clothes, shoes, bags and accessories and other fashion items.

In 2020, Our Group's online retail sales revenue derived from fashion in the US, the UK, Canada, Australia, France and Germany was USD46.0 million, USD5.5 million, USD5.4 million, USD4.7 million, USD7.5 million, and USD4.2 million, occupying a market share of 0.2%, 0.1%, 0.3%, 0.5%, 0.1% and 0.1% of online cross-border fashion retail sales, respectively. Our Group employs a comprehensive digital marketing strategy that combines various media forms to increase exposure to the targeted consumer population in global key regions. In addition to social media marketing, performance

## INDUSTRY OVERVIEW

marketing and retention marketing, our Group has also adopted influencer marketing initiatives which capitalize on the broad follower base of influencers and KOLs to enhance exposure and strengthen customer interactions. As such, our Group is able to capture business opportunities worldwide and provide Asian fashion items to a number of online shoppers.

*Note:*

- (1) Ranking of Online Cross-border Fashion Retailers in Key Regions, by Online Retail Sales Revenue Derived from Fashion Products in 2020

### *US*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company A	China	739.3	2.7%
Company B	UK	423.6	1.5%
Company D	UK	293.2	1.1%

### *UK*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company C	Germany	173.2	1.9%
Company A	China	109.2	1.2%
Company F	Italy	68.4	0.8%

### *Canada*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company A	China	33.6	1.6%
Company I	UK	27.1	1.3%
Company B	US	17.4	0.8%

### *Australia*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company C	Germany	24.6	2.7%
Company A	China	17.2	1.9%
Company D	UK	14.2	1.6%

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### *France*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company C	Germany	273.4	2.7%
Company A	China	223.1	2.2%
Company F	Italy	169.2	1.6%

### *Germany*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company B	UK	100.3	1.5%
Company A	China	85.3	1.2%
Company D	UK	72.3	1.0%

- (2) The identity of major market players in key global regions are listed below:
- a) Company A is a China-based international B2C fast fashion e-commerce platform founded in 2008. The company mainly focuses on clothes, accessories, shoes, bags and other fashion items. Company A is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France, and Germany in 2020.
  - b) Company B is a British online fashion and cosmetic retailer founded in 2000 in London, primarily targeting young adult customers. Company B is listed on OTC market. Company B was a top 10 market player in the U.S., Canada, Australia, France, and Germany in 2020.
  - c) Company C is a European online retailing company, which is founded in 2008 and based in Berlin, Germany. It primarily offers fashion and lifestyle products to customers in European markets. Company C is listed on OTC market. Company C was a top 10 market player in the U.S., U.K., Canada, Australia, and France in 2020.
  - d) Company D is a UK-based online fashion retailer, aiming at young adults aged between 16 and 30 years old. The company was founded in 2006, and specializes in own brand fashion clothing. Company D is listed on OTC market. Company D was a top 10 market player in the U.S., Canada, Australia, France, and Germany in 2020.
  - e) Company F is an Italian online fashion retailer founded in 2015. Its product portfolio includes luxury clothing, shoes, accessories, design & art and other lifestyle products. Company F is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia and France in 2020.
  - f) Company I is an online personal styling service platform founded in 2011 in the United States. It uses recommendation algorithms and data science to personalize clothing items based on size, budget and style. Company I is listed on NASDAQ. Company I was a top 10 market player in the U.K. and Canada in 2020.

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### Competitive Landscape of Online Cross-border Korean Beauty Product Retailing Market in the US, the UK, Canada, Australia, France and Germany

The competitive landscape of online cross-border Korean beauty product retailing market is relatively fragmented and competitive with numerous market players. The market share of top three major players of online cross-border Korean beauty product retailing market in the US, the UK, Canada, Australia, France and Germany in 2020 accounted for approximately 6.0%, 6.9%, 13.1%, 14.4%, 5.9%, and 6.9% of online cross-border Korean beauty product retail sales, respectively. The major market players are global e-commerce platforms headquartered in South Korea or the US, and mainly engage in the sales of Korean beauty product.

Given the rising awareness and demand for Korean beauty products around the globe, our Group is able to cultivate a focus on Korean beauty products and becomes a leading market player in global key regions. In 2020, Our Group's online retail sales revenue derived from Korean beauty product in the US, the UK, Canada, Australia, France and Germany was USD24.3 million, USD7.0 million, USD4.0 million, USD5.4 million, USD5.3 million, and USD4.4 million, occupying a market share of 1.9%, 2.5%, 7.8%, 8.7%, 1.5% and 2.2% of online cross-border Korean beauty product retail sales, respectively.

*Note:*

- (3) Ranking of Online Cross-border Korean Beauty Care Retailers in Key Regions, by Online Retail Revenue Derived from Korean Beauty Care Products in 2020

#### *US*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company P	South Korea	29.3	2.4%
Our Group	Hong Kong	24.3	1.9%
Company R	South Korea	21.3	1.7%

#### *UK*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Our Group	Hong Kong	7.0	2.5%
Company P	South Korea	6.2	2.3%
Company T	U.S.	5.7	2.1%

#### *Canada*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Our Group	Hong Kong	4.0	7.8%
Company R	South Korea	1.5	2.9%
Company P	South Korea	1.2	2.3%

## INDUSTRY OVERVIEW

### *Australia*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Our Group	Hong Kong	5.4	8.7%
Company T	U.S.	2.0	3.2%
Company P	South Korea	1.6	2.6%

### *France*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company Y	South Korea	7.3	2.0%
Company Q	South Korea	7.2	2.0%
Company T	U.S.	6.9	1.9%

### *Germany*

<u>Company</u>	<u>Place of Incorporation</u>	<u>Revenue</u> <i>(US\$ million)</i>	<u>Market share</u>
Company Q	South Korea	4.9	2.4%
Company Y	South Korea	4.6	2.3%
Our Group	Hong Kong	4.4	2.2%

- (4) The identity of major market players in key global regions are listed below:
- a) Company P, which is founded in 2012 and headquartered in South Korea, specializes in Korean cosmetics and skincare products. International customers are located in the US, UK, Canada, Australia, and other countries. Company P is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France and Germany in 2020.
  - b) Company Q, which is founded in 2012 and headquartered in South Korea, provides customers with a wide range of Korean cosmetic products from the world's leading Korean beauty brands. Company Q is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France, and Germany in 2020.
  - c) Company R is an online Korean beauty retailer founded in 2018. Company R is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France, and Germany in 2020.
  - d) Company S started business in 2011, specialized in introducing Korean products abroad. It provides shipping options in US, Europe, Asia, etc. Company S is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France, and Germany in 2020.
  - e) Company T is a U.S. based company founded in 2012, specialized in Korean beauty products. Company T is a private company and was a top 10 market player in the U.S., U.K., Canada, Australia, France, and Germany in 2020.
  - f) Company Y is a beauty e-commerce founded in 2012 in South Korea. Its products include various Korean cosmetics and Korean beauty products covering over 150 brands and it operates all over the world. Company Y is a private company and was a top 10 market player in the France and Germany in 2020.

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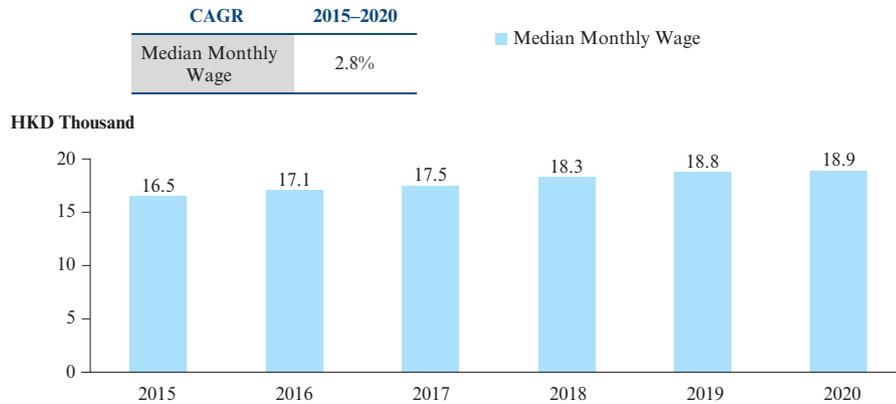
## INDUSTRY OVERVIEW

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### HISTORICAL PRICE TRENDS OF MAJOR COST FACTORS

Underpinned by the stable development of Hong Kong's traditional industries, such as real estate, tourism, trading and finance, the median monthly wage of employees in import and export trade industry in Hong Kong has increased at a CAGR of 2.8% from approximately HK\$16,500 in 2015 to approximately HK\$18,900 in 2020.

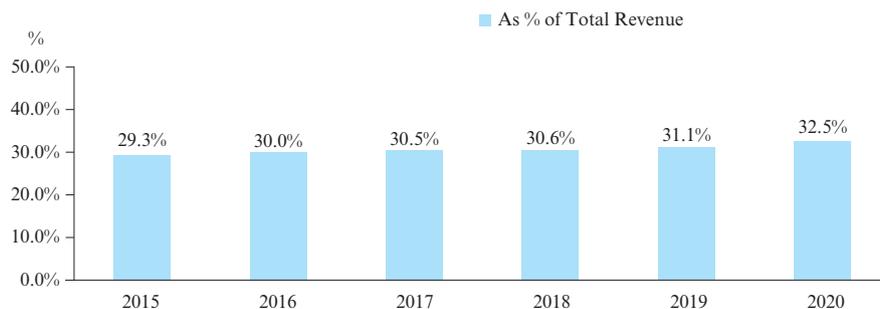
#### Median Monthly Wage of Employees in Import and Export Trade Industry in Hong Kong, 2015–2020



Source: Frost & Sullivan, Census and Statistics Department of Hong Kong

With rising wage and surge in sales of cross-border online retailing, Hong Kong's e-commerce companies have been spending more capital on logistics infrastructure. The percentage of logistics cost over total revenue has increased from 29.3% in 2015 to 32.5% in 2020. The fluctuation of logistics costs is affected by several factors, which includes supply and demand, costs (including labor cost, transportation costs, inventory carrying costs), and extreme force majeure (e.g. COVID-19) that cause inefficiency in delivery and unnecessary costs incur as a result.

#### Trend of Logistics Cost of Cross-border E-commerce Companies in Hong Kong, 2015–2020

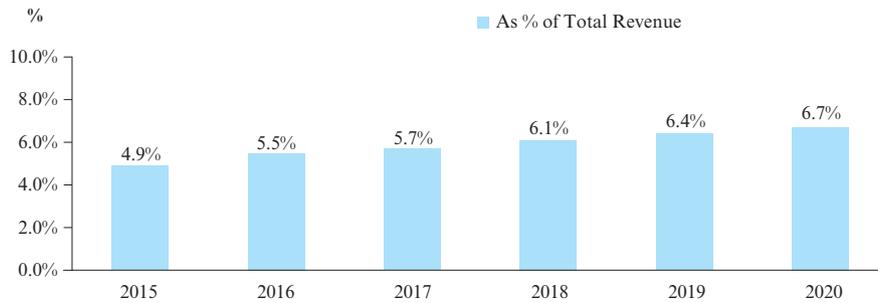


Source: Frost & Sullivan, Statista, Researchgate

## INDUSTRY OVERVIEW

With rising cost of renting and growing demand for larger warehousing space, Hong Kong's e-commerce companies have been spending more capital into warehousing sector. The percentage of warehousing cost over total revenue has increased from 4.9% in 2015 to 6.7% in 2020.

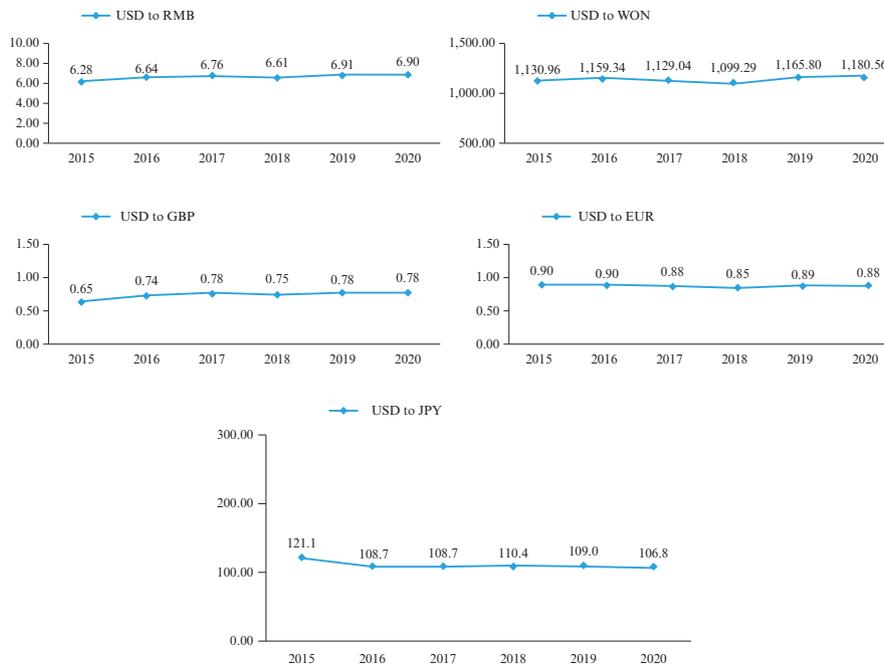
### Trend of Warehousing Cost of Cross-border E-commerce Companies in Hong Kong, 2015–2020



Source: Frost & Sullivan, Statista, Researchgate

The fluctuation of exchange rate is also an underlying factor that affects the cost of international e-commerce platform. The following charts set forth the historical exchange rate in key regions for the periods indicated:

### The Exchange Rate of USD to RMB/WON/GBP/EUR/JPY, 2015–2020



Source: Frost & Sullivan, Federal Reserve Board

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## INDUSTRY OVERVIEW

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### OVERVIEW OF ENTERTAINMENT PRODUCTS WHOLESALE MARKET IN JAPAN

Our Group also engages in the sales of entertainment products through the offline wholesale channel.

With the development of online music service and e-book service, entertainment product wholesale market in Japan demonstrated an overall downward trend. In 2020, due to the spread of COVID-19 that has greatly curbed the consumer spending in offline channel, the market size of offline wholesaler is expected to decrease more sharply than previous year, and is expected to recover in the following years as social activities normalize. In Japan, Chinese and Korean entertainment products accounted for approximately 16.2% of total entertainment segment in 2020. In the future, the penetration rate of Chinese and Korean entertainment products is expected to keep growing slightly due to the popularity of Korean and Chinese culture and consumption.

The competitive landscape of offline entertainment products wholesale market in Japan is fragmented and highly competitive with numerous market players.

### COVID-19 IMPACT ON THE INDUSTRY AND THE GROUP'S MAJOR PRODUCT SEGMENT

Since the outbreak of COVID-19, there has been a drop-off in brick-and-mortar shopping. Due to the need of epidemic prevention and control, offline stores are generally closed. Merchants take online channel as the primary way to recover their sales and actively participate in live streaming and sales promotion. Furthermore, COVID-19 has created challenges for the supply chain across the industry. During the first and second quarter of 2020, the outbreak of COVID-19 severely disrupted the suppliers' shipping capabilities, resulting significant delays in delivery of materials. However, with local governments' continuous effort in epidemic control, the supply chain has been recovered.

Consumption and purchase habits are also shifting from offline to online under the influence of epidemic. For example, according to OCED (The Organisation for Economic Co-operation and Development), while in the US the share of e-commerce in total retail had only slowly increased between the first quarter of 2018 and the first quarter of 2020 (from 9.6% to 11.8%), it spiked to 16.1% in the second quarter of 2020. The development is similar for the UK, where the share of e-commerce in retail rose from 17.3% for the first quarter of 2018 to 20.3% for the first quarter of 2020, and rise significantly to 31.3% in the second quarter of 2020. Going forward, the consumption and purchase habits from offline to online are expected to be strengthened. Customers are expected to purchase online increasingly, which support the development of online retailing market in the near future.

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## REGULATORY OVERVIEW

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### OVERVIEW

This section sets out an overview of material laws and regulations applicable to the operations of the Group in Hong Kong, Japan and South Korea, as well as key countries where we derive our revenue from, including the United States, the United Kingdom, Australia, Canada and EU. Information contained in this section should not be construed as a comprehensive summary of all the laws and regulations applicable to our Group.

### HONG KONG LAWS AND REGULATIONS

During the Track Record Period, our Group conducted its operations and business primarily in Hong Kong. As such, we are subject to the following relevant laws and regulations in Hong Kong.

#### A. REGULATION OF ONLINE RETAILING OR E-COMMERCE BUSINESS

During the Track Record Period, our Group operated an online retailing or E-commerce business in Hong Kong. As our business involves selling goods online, we have set out below the legislations that may be relevant to the operations of our E-commerce business.

##### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “SOGO”)**

SOGO provides that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless, before the contract is made, (i) the defect was specifically drawn to the buyer’s attention or (ii) if the buyer has a reasonable opportunity to examine the goods, and the examination ought to reveal the relevant defects. SOGO also further provides implied terms for the standard of goods sold by our Group to its customers. As the business of our Group involves selling goods to our customers, our operations are subject to the terms and provisions of SOGO.

##### **Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “TDO”)**

TDO aims to prohibit false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods; to confer power to require information or instruction relating to goods to be marked on or to accompany the goods or to be included in advertisements. The definition of trade description under the TDO covers indication of a broad range of matters, which includes but not limited to the following aspects of goods: quantity; method of manufacture, production, processing or reconditioning; composition; fitness for purpose, strength, performance, behavior or accuracy; availability; compliance with a standard specified or recognized by any person etc.

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## REGULATORY OVERVIEW

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Under section 7 of the TDO, any person who in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied commits an offence.

Under section 7A of the TDO, a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence.

Section 9 also provides that subject to the provisions of the TDO, any person who, among other things, forges any trade mark, falsely applies to any goods any trade mark or any mark so nearly resembling a trade mark as to be calculated to deceive, commits an offence unless he proves that he acted without intent to defraud.

Section 12 further provides that a person must not import or export any goods to which a false trade description or forged trade mark is applied, or else he shall commit an offence.

Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

Anyone who commits an offence under sections 7, 7A, 9, 12, 13E, 13F, 13G, 13H or 13I of the TDO shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years under section 18 of the TDO.

The descriptions of goods offered on our E-commerce business is subject to the regulation of TDO. In addition, the TDO stipulates that any reference to a trader in the ordinance includes any person acting in the name of, or on behalf of, a trader. As such, being an E-commerce retailer that sells third-party branded products, we may in such way be held liable for the above offences in the operation of our E-commerce retail segment.

### **Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)**

The Import and Export Ordinance provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

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## REGULATORY OVERVIEW

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The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D which are issued under section 3 of the Import and Export Ordinance. These regulated articles include pharmaceutical products and medicines and proprietary Chinese medicines.

During the Track Record Period and as at the Latest Practicable Date, our Group had not imported any articles which would contravene section 6C of the Import and Export Ordinance nor exported any articles which would contravene section 6D of the Import and Export Ordinance, and is not required to obtain a licence under section 3 of the Import and Export Ordinance.

### **Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the “Import and Export Regulations”)**

Pursuant to regulation 4 of the Import and Export Regulations, every person, including company, who imports any article including beauty products and beauty bags (other than an exempted article) shall lodge with the Commissioner of Customs and Excise an accurate and complete import declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation of the article to which it relates.

Regulation 5 of the Import and Export Regulations requires that every person who exports or re-exports any article including beauty products and beauty bags (other than an exempted article) shall lodge with the Commissioner of Customs and Excise an accurate and complete export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the exportation of the article to which it relates.

Any person fails or neglects to do such declaration as required under regulations 4 and 5 of the Import and Export Regulations within 14 days after the importation or exportation (as the case may be) of the article to which it relates without any reasonable excuse shall be liable to (1) a fine of HK\$1,000 upon summary conviction; and (2) commencing from the date of conviction, a fine of HK\$100 in respect of everyday during which his failure or neglect to lodge such declaration in that manners continues. Further, any person who knowingly or recklessly lodges any declaration with the Commissioner of Customs and Excise that is inaccurate in any material particular shall be liable on summary conviction to a fine of HK\$10,000.

Regulation 3 of the Import and Export Regulations sets out exemptions in respect of regulations 4 and 5.

### **Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the “CECO”)**

The contracts that we enter into with our customers which are governed by the Laws of Hong Kong are subject to the CECO, which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 9 of CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 11 of CECO, as against a person dealing as consumer, liability for breach of the obligations arising from sections 15, 16 or 17 of SOGO (seller’s implied undertakings as to conformity of goods with description or sample, or as to their quality or fitness for a particular purpose) cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising from sections 15, 16 or 17 of SOGO can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies the requirement of reasonableness.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

### **Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “PDPO”)**

Users and/or visitors of our *www.yesstyle.com*, *www.yesasia.com* and *www.asianbeautywholesale.com* websites and YesStyle app store may choose to register as our members. During the registration process, we collect our member’s personal information or other data some of which may constitute “personal data” under the PDPO. We also monitor the online behavior of our users so as to gather data for market trend analysis. As such, in carrying out our Group’s operations, we need to comply with the PDPO and its six Data Protection Principles (“DPPs”), which are as follows: (i) principle 1 — purpose and manner of collection of personal data; (ii) principle 2 — accuracy and duration of retention of personal data; (iii) principle 3 — use of personal data; (iv) principle 4 — security of personal data; (v) principle 5 — information to be generally available; and (vi) principle 6 — access to personal data.

In the course of our business, our Group has collected and possessed private and confidential personal data as defined under the PDPO. As such, our collection, handling and use of such personal data are regulated by the PDPO and in such context, our Group would fall within the definition of “data user” as defined under the PDPO. Hence, we are subject to the DPPs set out in the PDPO. In this regard, our Group has established policies and procedures to ensure our compliance with the PDPO. For details of internal control on personal data privacy, please refer to the section headed “Business — Internal Control — Internal control of personal data privacy” of this prospectus.

### **Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) (the “Control of Obscene and Indecent Articles Ordinance”)**

The content we post on digital platforms are subject to the regulations of the Control of Obscene and Indecent Articles Ordinance. Subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, any person who publishes, possesses for the purpose of publication or imports for the purpose of the publication, any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable for a fine of HK\$1 million and imprisonment for three years.

Under the Control of Obscene and Indecent Articles Ordinance, it is also an offence to publish any indecent article without sealing such article in wrappers and displaying a notice as prescribed by the Control of Obscene and Indecent Articles Ordinance.

Subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, it is also an offence to publish any indecent article to a person who is a juvenile, whether it is known that it is an indecent article or that such person is a juvenile. Such offences impose a fine of HK\$400,000 and imprisonment of 12 months on first conviction. A second or subsequent conviction will give rise to a fine of HK\$800,000 and imprisonment of 12 months.

### **B. REGULATION OF ADVERTISING PRACTICE**

During our operations, we may engage in advertising activities or practice, and would involve promoting certain products or goods. In Hong Kong, there is no single piece of legislation governing advertising practice; but instead is regulated by a number of different ordinances and regulations containing provisions regarding advertising and promotion of products and service, where the breach of these provisions may result in criminal offences.

In addition to the relevant laws and regulations mentioned in section “A. Regulation of Online Retailing or E-commerce Business”, another relevant legislation is discussed in further detail below.

#### **Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)**

The Trade Marks Ordinance provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Cap 559A of the Laws of Hong Kong).

Under section 10 of the Trade Marks Ordinance, a registered trade mark is a property right obtained by the registration of the trade mark under the ordinance; and the owner of such registered trade mark has the rights and is entitled to the remedies provided by the ordinance.

For details of the trade marks which are material to the operations of our Group, please see “Statutory and General Information — B. Further Information About the Business of Our Group — 2. Intellectual property rights of our Group” of Appendix IV to this prospectus.

Under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if: (a) he uses in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and (b) the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public.

Subject to the exceptions in sections 19 to 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark.

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## REGULATORY OVERVIEW

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An infringement of a registered trade mark is actionable by the registered owner of the trade mark who may apply to the court for orders to deal with the infringing goods, material or articles, such as an order for delivery up, forfeiture, destroy, disposal or an order as the court may decide.

Trade marks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trade marks and that use of the trade marks by third parties will cause the owner damage.

### C. REGULATION OF THE PRODUCTS WE SELL

#### **Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the "Public Health Ordinance")**

The legal framework for food safety control in Hong Kong is set out in Part V of the Public Health Ordinance and the relevant sub-legislations thereunder. As we are a provider of a number of, among other products, health supplement and other healthcare products, we are subject to the Public Health ordinance and the relevant sub-legislations thereunder.

The Public Health Ordinance requires the manufacturers and sellers of food to ensure that their products are fit for human consumption and comply with the requirements in respect of food safety, food standards and labelling.

Section 50 of the Public Health Ordinance prohibits the manufacturing, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with this section commits an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Section 52 of the Public Health Ordinance provides that, subject to a few defences in section 53 of the same ordinance, if a seller sells to the prejudice of a purchaser any food or drug which is not of the nature, substance or quality of the food or drug demanded by the purchaser, the seller shall be guilty of an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

According to section 54 of the Public Health Ordinance, any person who sells or offers for sale any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for the purpose, shall be guilty of an offence. The maximum penalty for contravention of section 54 is a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

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## REGULATORY OVERVIEW

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Section 61 of the Public Health Ordinance provides that it shall be an offence for any person who gives with any food or drug sold by him/her or displays with any food or drug exposed for sale by him/her any label which falsely describes the food or drug or is calculated to mislead as to its nature, substance or quality. Nonetheless, it shall be a defence if he can provide that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid. Further, it shall also be an offence if any person publishes or is party to the publication of an advertisement falsely describing any food or drug or is likely to mislead as to the nature, substance or quality of any food or drug.

Section 71(1) of the Public Health Ordinance provides that in any proceedings for an offence under this Part V of the Public Health Ordinance, it shall be a defence for the defendant to prove (a) that he purchased it as being an article or substance which could lawfully be sold or otherwise dealt with as aforesaid, or, as the case may be, could lawfully be sold or dealt with under the name or description or for the purpose under or for which he sold or dealt with it, and with a written warranty to that effect; and (b) that he had no reason to believe at the time of the commission of the alleged offence that it was otherwise; and (c) that it was then in the same state as when he purchased it.

However, under section 71(2) of the Public Health Ordinance, it is provided that the warranty shall only be a defence if the defendant (i) has sent to the prosecutor a copy of the warranty with a notice stating that he intends to rely on it and specifying the name and address of the person from whom he received it not later than 3 clear days before the date of the hearing; and (ii) has also sent a like notice to that person; and in the case of a warranty given by a person resident outside Hong Kong, the defendant has to prove that it had taken reasonable steps to ascertain, and did in fact believe in, the accuracy of the statement contained therein.

### **Food and Drug (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) (the “Food and Drugs Regulations”)**

The Food and Drugs Regulations are a subsidiary legislation of the Public Health Ordinance, and contain provisions for the advertising and labelling of food.

Regulation 3 of the Food and Drugs Regulations provides that the standards of composition of the foods and drugs specified in Schedule 1 of the Food and Drugs Regulations (except for those listed in Schedule 1A to the Food and Drugs Regulations) shall be up to the standards as specified in that schedule.

Pursuant to Regulation 5 of the Food and Drugs Regulations, any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant requirements as to composition prescribed in Schedule 1 to the Food and Drugs Regulations commits an offence and is liable to a fine of HK\$50,000 and imprisonment for 6 months.

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## REGULATORY OVERVIEW

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Regulation 4A of the Food and Drugs Regulations requires all prepackaged food and health supplements sold (except for those listed in Schedule 4 to the Food and Drugs Regulations) to be marked and labeled in the manner prescribed in Schedule 3 to the Food and Drugs Regulations. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and imprisonment for 6 months.

In accordance with Regulation 4B of the Food and Drugs Regulations, generally prepackaged food and health supplements sold should be marked or labeled with its energy value and nutrient content in the manner prescribed in Part 1 of Schedule 5 to the Food and Drugs Regulations, and nutrition claims, if any, made on the label of the product or in any advertisement for the product should comply with Part 2 of Schedule 5 to the Food and Drugs Regulations. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and imprisonment for 6 months.

### **Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)**

The aim of the Consumer Goods Safety Ordinance imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

Section 4(1) of the Consumer Goods Safety Ordinance sets out a general safety requirement, which requires consumer goods to be reasonably safe having regard to all of the circumstances including (a) the manner in which, and the purpose for which the products are presented, promoted or marketed, (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods, (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description, and (d) the existence of any reasonable means (taking into account the cost, likelihood and extent of any improvement) to make the consumer goods safer.

Section 6 of the Consumer Goods Safety Ordinance provides that a person shall not (a) supply, (b) manufacture, or (c) import into Hong Kong, consumer goods unless the consumer goods comply with (i) the general safety requirement for consumer goods; or (ii) where an approved standard applies to consumer goods, the approval standard for the particular consumer goods.

Under section 22 of the Consumer Goods Safety Ordinance, a person who contravenes section 6 of the Consumer Goods Safety Ordinance commits an offence.

### **Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) (the “Food Safety Ordinance”)**

The Food Safety Ordinance establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed.

As the business of our Group involves the marketing, sales and distribution of food and health supplements, our Group is subject to the regulations of the Food Safety Ordinance.

Sections 4 and 5 of the Food Safety Ordinance require any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a maximum fine of HK\$50,000 and imprisonment for 6 months.

Our Group has registered as a food importer or food distributor under the Food Safety Ordinance so that our Group may import food and health supplements into Hong Kong.

#### **D. OTHER RELEVANT HONG KONG REGULATION**

##### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

Pursuant to section 20A of the Inland Revenue Ordinance (the “**IRO**”), the Inland Revenue Department of Hong Kong (the “**IRD**”) has wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO, making additional assessments under section 60 of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

The Hong Kong Government has gazette the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”) on 13 July 2018. Section 20 of the IRO was repealed as a result of the Amendment Ordinance coming into effect. The Amendment Ordinance introduces provisions for a statutory transfer pricing regime and for transfer pricing documentation in Hong Kong. Pursuant to the Amendment Ordinance, the arm’s length principle is the fundamental transfer pricing rule in Hong Kong. Where a transaction between two related persons does not comply with the arm’s length principle and has created tax advantage, the IRD is empowered to adjust the profits or losses of that person. The fundamental transfer pricing rule applies retrospectively to year of assessment on or after 1 April 2018.

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## REGULATORY OVERVIEW

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On 27 March 2020, the IRD released the revised Departmental Interpretation and Practice Notes No. 39 (the “**Revised DIPN 39**”). The Revised DIPN 39 addresses various key issues concerning the taxation of E-commerce transactions and digital assets with illustrative examples. In the absence of any specific provisions in the IRO that deal with the taxation of E-commerce, the tax consequences of E-commerce transactions are to be determined in accordance with section 14 of the IRO. The Revised DIPN 39 also states that general transfer pricing rules and arm’s length principles apply to E-commerce transactions in the same manner as transactions of tangible assets.

Under the IRO, an employer who employs someone who is or is likely to be charged with salaries tax or any married person shall give notice in writing to commissioner of Inland Revenue not later than three months after the date of commencement of such employment, stating his/her full name and address, date of commencement and terms of employment. Further, where the employment ceases, the employer shall give notice thereof in writing to the commissioner not later than one month before the employee ceases to be employed in Hong Kong, stating the name and address and the expected date of cessation. Any person who without reasonable excuse fails to comply with the above requirements commits an offence and is liable to a fine of HK\$10,000, and the court may order rectification within a specified time.

### **Employment Ordinance (Chapter 57 of the Laws of Hong Kong)**

The Employment Ordinance applies to every employee engaged under a contract of employment in Hong Kong to an employer of such employee, and to a contract of employment between such employer and employee. The ordinance provides the following entitlements or protections to an employee: (a) year-end payments; (b) maternity and paternity protection; (c) rest days; (d) protection against anti-union discrimination; (e) severance payment; (f) long service payment; (g) employment protection; (h) sickness allowance; (i) holidays with pay; (j) annual leave with pay. Apart from the protections, the ordinance also provides standard duties and obligations to be implied in contracts between employers and employees, as well as the formalities to be observed for employment contracts.

### **Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

Under the Employees’ Compensation Ordinance, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the ordinance in respect of the employer’s liability. An employer who fails to comply with the above commits an offence and is liable to a fine at HK\$100,000 and imprisonment of two years (on conviction upon indictment) or one year (on summary conviction).

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## REGULATORY OVERVIEW

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### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

Under the scheme established by the Mandatory Provident Fund Schemes Ordinance, all employees (and those who are self-employed) aged between 18 and 65 years with monthly earning between HK\$7,100 and HK\$30,000 are obliged by law to contribute 5% of their income to the scheme; and those with monthly earning more than HK\$30,000 are obliged to contribute HK\$1,500 to the scheme. In the first instance, a contribution of 5% of the total monthly income must be made to the scheme by both the employee and employer, unless the income falls below the minimum threshold (in which case the employer alone is obliged to contribute). The employee and employer may, if they so prefer, make contribution in excess of the statutory minimum. Further, an employer has a duty to duly pay the mandatory contribution or its own behalf and for the employees. An employer who, without reasonable excuse, fails to pay contribution (or failure to do so on time) commits a criminal offence, and is liable: (a) on first conviction, to a fine at HK\$100,000 and imprisonment for six months; (b) on subsequent occasion, to a fine of HK\$200,000 and imprisonment for 12 months.

### **JAPAN LAWS AND REGULATIONS**

This section sets out an overview of material laws and regulations of Japan applicable to the business conducted by the Group in Japan.

#### **A. REGULATION OF CUSTOMS**

The Customs Act (Kanzei Hou, Act No. 61 of 1954, as amended) is the main governing law stipulating procedures on the import and export of goods. Requirements for inspection or certain other requirements must be met prior to import and export of all goods under the Customs Act. The importer or exporter shall declare to the Director General of Customs all necessary matters, including but not limited to the description, quantity and price of all goods and obtain a permit and approval from the Director General of Customs. A person who exports or imports goods without such permission is liable to imprisonment for up to five years and/or a fine of up to JPY10,000,000. Examples of prohibited goods for import and export include illegal drugs, child pornography, goods infringing copyrights and other intellectual property rights. Goods that corrupt public morals are prohibited to import and require approval of the Minister of Economy, Trade and Industry for exports. A person who imports or exports prohibited goods for import or export under the Customs Act may be punished by imprisonment with work for up to ten years and/or a fine of up to JPY30,000,000. The Director General of Customs permits the import of CDs and DVDs and export of CDs, DVDs, comics and cosmetics unless the import and export of such goods are prohibited under the Customs Act.

### **B. REGULATION OF TRANSFER PRICING**

The rules of the Japan's transfer pricing tax system are stipulated in Article 66-4 of the Act on Special Measures concerning Taxation (Sozei Tokubetsu Sochi Hou). The rules apply to transactions with foreign affiliate(s), i.e., transactions between corporations and a foreign affiliate such as their parent companies and subsidiaries, where "the amount of consideration received by the corporation from the said foreign affiliate is less than the arm's length price, or if the amount of consideration paid by the corporation to the foreign affiliate exceeds the arm's length price". In such case, the transaction with a foreign affiliate shall be deemed to have been conducted at the price between the independent enterprises (Article 66-4, Paragraph 1 of the Act).

In practice, the determination of the "arm's length price" becomes the main issue of disputes. "Arm's length price" is the price that is set when a similar transaction is conducted with a third party (non-affiliate) in accordance with normal trading conditions, and is determined by the most appropriate method, such as independent price ratio method, resale price base method, cost standard method, etc. The method of determining such prices is in line with the methods recognized in the OECD Transfer Pricing Guidelines.

If the transfer pricing tax system is applied and the parties become subject to double taxation, the parties are entitled to file a complaint to hold mutual consultations between Japan and the tax authorities of the other country. As a result, such double taxation may be rectified if, after such complaint is filed, an agreement is reached between the tax authorities of the two countries. As a means of ensuring predictability of the transfer pricing tax system, a prior confirmation with the tax authority is allowed as to the determination of the reasonableness of the arm's length price. If there is any corrective order made by the tax authorities with regard to the transfer pricing, the parties may file an objection with the National Tax Appeal Tribunals and the courts having jurisdictions. The parties may also request for mutual consultations with the tax authorities.

### **THE REPUBLIC OF KOREA LAWS AND REGULATIONS**

This section sets out an overview of material laws and regulations of the Republic of Korea applicable to the business conducted by the Group in the Republic of Korea.

#### **A. REGULATION OF THE PRODUCTS EXPORTED**

##### **Copyright Act**

The Copyright Act governs an act of reproducing, performing in public, publicly transmitting, displaying, distributing or lending copyrighted materials without an authorization of the copyright holder and an act of producing derivative works produced based on the original copyrighted materials, as an act of infringing the original copyright (Article 16 or 22 of the Copyright Act).

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Furthermore, the Copyright Act punishes the act of incapacitating technical measures in place to prevent or restrain access to copyrighted materials, deleting or altering copyright management information, or forging labels for copyrighted materials, as the Copyright Act regards such acts at the same level as an act of infringing the copyright.

Pursuant to Article 123 of the Copyright Act, an act of producing or distributing an object which infringes the copyright of another person is prohibited and such objects may be destroyed. For any copyright infringement act which has been committed in the past, pursuant to Article 125 of the Copyright Act, any economic profit which was gained by infringing copyright or a license fee shall be the amount of the damages which the original copyright holder may claim as damages, and imprisonment with labor up to five years or a fine up to 50 million Korean won may be ordered pursuant to Article 136 of the Copyright Act.

### **Trademark Act**

To be legally recognized pursuant to the Trademark Act in the Republic of Korea, the trademarks should be registered at the Korean Intellectual Property Offices.

The Trademark Act governs an act of displaying a trademark on goods or packages of goods, transferring or delivering goods or packages of goods on which a trademark is displayed; or exhibiting, exporting, or importing such goods for the purpose of transfer or delivery; and displaying a trademark on advertisements for goods, price tags, transaction documents, or other means, and exhibiting or giving wide publicity to the trademark; without an authorization of the trademark right holder as an act of infringing the right of the trademark right holder (Article 2(1)(11) of the Trademark Act). However, use of the trademark for the purpose of explaining goods or as a design, rather than use of the trademark for the purpose of identifying the source of goods, is not regarded as an infringing act.

Pursuant to Article 107, a person who conducts an infringing act of the trademark right may be ordered to be prohibited from conducting such infringing act, and objects produced by such infringing act may be destroyed. For any act of infringing the trademark right which has been committed in the past, pursuant to Articles 109 and 110 of the Trademark Act, the amount obtained by multiplying the transferred quantity of the goods which have been produced by infringing the trademark right by (i) the amount of profit per unit quantity of the goods which the trademark right holder may have sold, or (ii) the amount of profits which was obtained by infringing the trademark right holder, or (iii) the amount equivalent to that the trademark right holder may normally receive from the use of the trademark shall be the amount of the damages which the original trademark right holder may claim as damages. In addition, imprisonment with labor up to seven years or a fine up to 100 million Korean won may be ordered pursuant to Article 230 of the Trademark Act.

**B. REGULATION OF CUSTOMS CLEARANCE****Customs Act**

The Customs Act governs assessment and collection of customs duties as well as the customs clearance of exported and imported goods. Pursuant to Article 241(1) of the Customs Act, any one who intends to export, import or return either exported or imported goods is obliged to declare matters including, but not limited to, the name of the goods, specifications, and quantities to the head of the customs office, while a customs officer may inspect any goods intended to be exported, imported or returned after export or import under Article 246. In case of a breach of the foregoing by export or import without declaration or export or import of different goods other than the goods declared, the person shall be punished by imprisonment with labor for not more than three years, or by a fine equivalent to the prime cost of the relevant goods (Article 269(3) of the Customs Act). Article 234 of the Customs Act expressly prohibits export or import of (i) books, publications, drawings, films, records, videos, sculptures and other similar goods which disrupt the constitutional order or disturb the public safety and order or public morals; (ii) goods which reveal confidential information of the government or are used to carry out intelligence missions; and (iii) currencies, bonds and securities which are counterfeited, forged or copied. In case of a breach of the foregoing by export or import of prohibited goods, the person shall be punished by imprisonment with labor for not more than seven years, or by a fine not exceeding 70 million Korean won (Article 269(1) of the Customs Act).

**Act on the Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry and Customs Act**

The Act on the Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry expressly prohibits an act of exporting goods which infringe patent right, utility model rights, design rights, trademark rights, copyrights, neighboring copyrights, program copyrights, or trade secrets protected by the statutes of the Republic of Korea or the treaties signed by the Republic of Korea as a party concerned (Article 4(1)(1)(b) of the Act on Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry), and also expressly prohibits an act of exporting goods of which marks for origin are false or misleading, or are damaged or modified (Article 4(1)(2) of the Act on Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry). The Act further prohibits an act of exporting goods of which quality is falsely or exaggeratedly stated (Article 4(1)(3) of the Act on Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry). In the foregoing unfair international trade practices, the Trade Commission may order the suspension of exportation and destruction of the relevant goods as well as imposing a penalty of which amount shall not exceed an amount equivalent to 30% of the relevant transaction (Articles 10 and 11 of the Act on Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry, respectively). Furthermore, the goods of which marks for origin or quality are false, or the goods which infringe intellectual property rights may be banned for exportation during a course of the customs clearance (Articles 230, 230-2 and 235 of the Customs Act).

**C. REGULATION OF TRANSFER PRICING**

**Adjustment of International Taxes Act**

Under the Adjustment of International Taxes Act, in case of an international transaction, the tax treaties apply to the person in whom the taxable income, earnings, property, act or transaction is actually vested (Article 2-1(1) of the Adjustment of International Taxes Act), and it shall further apply the computation of tax base according to the substance of a transaction, regardless of the name or form of the taxable income, earnings, property, act or transaction (Article 2-1(2) of the Adjustment of International Taxes Act). Therefore, the Adjustment of International Taxes Act makes it clear that the principle of substantial taxation applies.

As one of the measures implemented in order to fulfill the principle of substantial taxation, Article 4 of the Adjustment of International Taxes Act stipulates that where the price of an international transaction in which either party to the transaction is a foreign related party is lower or higher than the arm's length price, the tax authority may determine or rectify the tax base and tax amount of a resident based on the arm's length price.

Accordingly, the Korean tax authority in principle adjusts the price or transaction terms with a foreign related party to the arm's length price or transaction terms (the "**Arm's Length Price**") in accordance with the arm's length principle as stipulated in Article 8 of the OECD Model Tax Convention on Income and Capital.

To stipulate further, the Korean tax authority will determine the most reasonable method among the methods such as the Comparable Uncontrolled Price method, Resale Price method, Cost Plus method, and Profit Split method, and deems the price calculated by such method as the Arm's Length Price.

Meanwhile, under the Adjustment of International Taxes Act, there is an advance pricing arrangement where a resident may file an application to obtain an advance approval of the intended method of computing the Arm's Length Price from the Commissioner of the National Tax Service. The advance pricing arrangement offers advantages to eliminate the tax uncertainty of transfer price investigation and maintain the efficiency of business activities.

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## REGULATORY OVERVIEW

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### U.S. LAWS AND REGULATIONS

This section sets out an overview of material laws and regulations of the United States applicable to the business conducted by the Group in the United States.

#### State-based Data Privacy Regulations

We are subject to various individual state laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and/or receive certain data that is critical to our operations. The United States has disparate state laws that are not uniformly adopted by other states. For example, the California Online Privacy Protection Act applies to operators of commercial websites that collect personally identifiable information through the internet about individual consumers residing in California.

There have been a number of recent legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas such as privacy. Various elements of the U.S. government, including the United States Government Accountability Office and the Federal Trade Commission, have advocated for greater regulation of data privacy with respect to information collected over the internet, including suggestions that comprehensive data privacy and security legislation should be enacted at the federal level.

The California Consumer Privacy Act (“**CCPA**”) came into effect on 1 January 2020 and is the first law in the U.S. that generally regulates the collection, use, and disclosure of personal information of consumers in California. The California Attorney General is tasked with enforcing the CCPA and may seek civil penalties of up to US\$7,500 per intentional violation. (Cal. Civil Code § 1798.155). The law also allows consumers, under certain circumstances, to bring suits in the event of a data breach. (§ 1798.150). Businesses within the scope of the CCPA are subject to several requirements. For example, they must post or distribute privacy notices (which must contain certain elements), grant rights to California consumers (e.g., the right to access or delete their personal information held by the business), and grant California consumers the right to “opt-out” of the sale of their personal information.

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### U.S. Sales Taxes

On June 21, 2018, the U.S. Supreme Court decided *South Dakota v. Wayfair, Inc.* 138 S. Ct. 2080 (2018), which opened the path for states to impose its sales tax collection requirements on remote sellers that exceed certain sales or transaction thresholds. As a result, states are now permitted to impose sales tax collection obligations on vendors who do not have a physical presence in a state. As a result, many states have established economic nexus standards to determine whether a business must collect and remit state or local sales tax for sales to customers in that state. This means that all remote vendors must apply each state and local law to determine its obligation to collect and remit state and local sales tax. States' and local standards change regularly, requiring companies to stay up-to-date on each state's thresholds. Some states have requirements as low as US\$100,000 in annual revenue from a particular state or 200 total transactions in number.

### UK LAWS AND REGULATIONS

This section sets out an overview of material laws and regulations of the United Kingdom applicable to the business conducted by the Group in the United Kingdom.

#### Sale of Goods Act 1979 ("SoGA")

SoGA implies a number of important terms into sale of goods contracts, particularly in relation to the title to the goods and the quality of the goods. It also lays down a large number of presumptions, which, in the absence of express drafting to the contrary, apply to a sale of goods contract. The key terms implied by SoGA are:

- (a) That the seller has the right to sell the goods (i.e. good title);
- (b) That the goods are free from undisclosed charges or encumbrances and that the buyer will enjoy quiet possession of the goods;
- (c) Where goods are sold by description, that the goods will correspond with that description;
- (d) Where goods are sold in the course of a business, that the goods are of satisfactory quality; and
- (e) Where goods are sold in the course of a business and the buyer, expressly or by implication, makes known to the seller the purpose for which they want the goods, that the goods will be reasonably fit for that purpose.

SoGA entitles buyers to reject non-conforming goods and reclaim the purchase price (where already paid). However, if the buyer is not a consumer, then where the breach is so slight that it would be unreasonable for the buyer to reject the goods, the breach only gives rise to a right to damages under SoGA.

### AUSTRALIA LAWS AND REGULATIONS

This section sets out an overview of material laws and regulations of Australia applicable to the business conducted by the Group in Australia.

#### **Australian Consumer Law (“ACL”)**

The ACL is contained in Schedule 2 to the Competition and Consumer Act 2010 (Cth) (CCA). The ACL imposes a range of obligations on suppliers and manufacturers of goods and services concerning matters including representations in advertising materials, unfair trading practices, product safety and recalls, unfair contract terms, and certain statutory consumer guarantees that automatically apply to supply to consumers.

##### *(i) Statutory consumer guarantees*

The ACL imposes a series of ‘consumer guarantees’ regarding the quality and function of goods and services that apply to every supply to a ‘consumer’. Goods or services are supplied to a ‘consumer’ if they are valued at less than AUD\$40,000, or exceed that figure but are of a kind that is ordinarily acquired for personal, domestic or household use or consumption. Regulations made will extend that monetary threshold to AUD\$100,000 from 1 July 2021.

In relation to goods, the consumer guarantees include that they (i) are of acceptable quality (i.e. they must be fit for the purpose for which goods of that kind are commonly supplied, acceptable in appearance and finish, free from defects, safe and durable) (section 54); (ii) are fit for any particular specified purpose represented by the supplier (section 55); and (iii) correspond with any description or sample given (sections 56–57).

These guarantees cannot be waived, limited or excluded, or misrepresented. Depending on the failure a consumer may be entitled to repair, replacement or a refund, and compensation.

##### *(ii) Product safety*

The ACL contains product safety requirements that apply to both manufacturers and suppliers (Part 3–3). For instance, the Minister may make mandatory safety standards that apply to consumer goods or related services. A person must not manufacture, possess or have control of goods, offer to or supply goods that do not comply with a standard (section 106).

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## REGULATORY OVERVIEW

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Commonwealth, state and territory ministers can regulate consumer goods by issuing safety warning notices, banning products on a temporary or permanent basis, or issuing a compulsory recall notice. It is prohibited under the ACL to supply, offer to supply, manufacture, possess or have control of goods for supply that are subject to a ban (section 118).

The ACL also contains a mandatory reporting regime. Where a supplier becomes aware that the use (or misuse) of a consumer good or related service has or may cause serious injury, illness or death, they must provide written notice to the Minister within 2 days (section 131).

### **Privacy Act 1988 (Cth) (“Privacy Act”)**

Businesses operating in Australia need to consider the application of the Privacy Act, the Australian Privacy Principles (“APPs”) in Schedule 1 of the Privacy Act, and state and territory health information laws including *the Health Records and Information Privacy Act 2002 (NSW)*, *Health Records Act 2001 (Vic)*, and *Health Records (Privacy and Access) Act 1997 (ACT)*. The Office of the Australian Information Commissioner (“OAIC”) is responsible for regulating the Privacy Act. When undertaking marketing activities, organisations must also comply with the Spam Act 2003 (Cth) and the Do Not Call Register Act 2006 (Cth), which are regulated by the Australian Communications and Media Authority (“ACMA”).

The Privacy Act and the APPs regulate the collection, storage, destruction, use and disclosure of personal information. APP entities must comply with minimum standards when processing and handling personal information. This includes having an easily accessible and available APP compliant privacy policy and collection notices, giving access to and correcting the information, handling complaints, and undertaking marketing activities in compliance with the APPs. Pursuant to the notifiable data breaches scheme in the Privacy Act, APP entities must also investigate suspected data breaches and, in the event there is an ‘eligible data breach’, notify the OAIC and affected individuals.

## **CANADA LAWS AND REGULATIONS**

This section sets out an overview of material laws and regulations of Canada applicable to the business conducted by the Group in Canada.

### **Consumer Protection**

Consumer protection in Canada is governed by both provincial consumer protection legislation and federal legislation. All provinces have consumer protection laws that generally require truth in advertising, and also include certain mandatory contractual terms and prohibit certain contractual provisions. Provincial laws also provide remedies for consumers who harmed by misleading or unconscionable business practices. Remedies can include damages and rescission of agreements.

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### **Consumer Product Safety (General)**

The *Canada Consumer Product Safety Act* (CCPSA) regulates several aspects of the manufacturing, handling, importation, advertising, testing, packaging, distribution or sale of consumer products. The CCPSA sets out requirements in respect of product safety, record keeping and licensing requirements for certain products. If a consumer product is deemed unsafe, the federal Department of Health (Health Canada) can mandate a recall.

Consumers are also protected by product liability law in Canada, which is based on both the law of contracts and the law of negligence. Where goods are found to be defective or there is a breach of a warranty, the purchaser may choose to either rescind the contract, or sue for damages. The law of negligence applies to parties who are injured when the conduct of a responsible party falls below required duty of care.

### **Privacy & Anti-Spam Law**

The federal government and three provinces (Quebec, Alberta and British Columbia) have adopted privacy legislation that governs the collection, use, disclosure and retention of personal information. Personal information is defined as information about an identifiable individual and includes a broad range of information such as name, age, address (physical or electronic), citizenship, race or ethnicity, marital status, religion and more. Canadian privacy laws generally require compliance with the following principles: (1) the organization is responsible for personal information under its control and must designate an individual who is responsible for compliance; (2) the purpose for which personal information must be identified before collection; (3) knowledge and consent of the individual is required for the collection, use or disclosure of personal information unless a specific exemption applies; (4) collection of personal information must be limited to what is necessary for the identified purpose; (5) personal information must not be used or disclosed for without consent or retained longer than required to fulfil the purpose for which it was collected; (6) personal information must be accurate, complete and up to date; (7) personal information must be protected by appropriate security safeguards; (8) policies and practices relating to personal information must be available to individuals whose information is collected, as well as the information itself and an opportunity to verify accuracy and completeness; and (9) individuals must be able to challenge compliance to the designated accountable individual.

Canada's Anti-Spam Legislation (CASL) governs commercial electronic messages sent to customers and business partners. CASL requires express consent from the recipient for sending such messages except in specific and limited situations where consent is implied (e.g., where there is an existing business relationship). CASL also requires an "unsubscribe" mechanism to be included in such messages.

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### EUROPEAN UNION LAWS AND REGULATIONS

A brief outline of some key EU laws focusing on product safety (as distinct from labelling), product liability and selling practices/consumer rights is provided below.

#### **EU: Product safety**

##### ***General Product Safety Directive 2001/95/EC (the “GPSD”)***

The GPSD complements and sits alongside sector specific directives which cover different product categories. The GPSD places a broad obligation on, among others, producers and distributors to “*place only safe products on the market*”. Relevant factors in determining whether a product is “safe” include:

- o Product characteristics (including composition, packaging, instructions *etc.*) — this involves consideration of the product’s component parts and methods of manufacture. It also requires careful consideration of the instructions for assembly/maintenance.
- o A product’s presentation, including labelling, warnings and instructions — also particularly important as “instructions” in this context include both instructions for use and for safe disposal. Also even where such warnings/instructions are provided, this does not mean a producer avoids liability in the event the product is later deemed to be unsafe.

The Company could be considered to be a “distributor” and/or a “fulfilment service provider” and so have obligations under the GPSD. The Blue Guide (2016) provides authoritative (albeit non-binding) guidance on the interpretation of EU harmonisation measures governing the different responsibilities of the actors in a product’s supply chain. It is likely that the Company would be deemed to be a “distributor” and subject to (among others) the “general safety requirement” of the GPSD pursuant to Article 5(2) of the GPSD.

##### ***Cosmetics Regulation No. 1223/2009***

The Cosmetics Regulation establishes rules to be complied with by any cosmetic product made available on the EU market. Cosmetic products shall be made available on the market only where the container and packaging of cosmetic products bear the information set out in the Regulation. In addition, a variety of obligations are placed on different parties in the supply chain: with respect to “distributors” the main obligations include: (1) to act with due care in relation to applicable requirements under the Cosmetics Regulation, and (2) to ensure that the labelling information required by the Regulation is present.

### ***REACH***

This is the main legislation governing placing on the market of chemicals in the EU. It applies to individual chemical substances on their own as well as substances in “articles” (i.e. incorporated into products).

Numerous hazardous chemicals are subject to a restriction under REACH, which means that these substances must not be “manufactured, placed on the market or used” in the EU (including in “articles”) unless the product complies with the terms or the conditions on use of these substances imposed by REACH. The complete list of restrictions on substances currently in force is found in Annex XVII of REACH in the “Restriction List”. Products distributed by the Company and their packaging must comply with the Restriction List, and a typical way to achieve this is to require upstream suppliers to ensure that restrictions are complied with, and seek contractual assurances and technical documentation around this. Certain specified substances, known as “substances of very high concern” (“SVHC”), are subject to even stricter requirements under REACH.

### ***Regulation on Persistent Organic Pollutants (EC) No 850/2004 (“POPs”)***

This bans or restricts the use of certain substances for the purpose of protecting human health. The production, placing on the market, and use of substances listed in Annex I of POPs (on their own and as constituents of “articles”) is prohibited. The production, placing on the market and use of certain other substances listed in Annex II of POPs (on their own and as constituents of “articles”) is restricted and therefore subject to certain conditions. Depending on the nature of the chemical substances included in the products distributed by the Company, compliance with POPs may be relevant.

### **EU: Product liability**

#### ***Product Liability Directive 85/374/EEC (“PLD”)***

A product liability claim can be based on one, or a combination, of the following grounds: contract, negligence (i.e. tort law) and strict liability under the PLD which gives specific additional rights to consumers in respect of defective products. The objective of the PLD was to create a uniform system of no-fault (or “**strict**”) liability for all categories of products. A product is defective when it does not provide the safety which a person is entitled to expect, taking all circumstances into account. The claimant has to prove the damage, the defect and the causal relationship between defect and damage. Multiple actors can be jointly and severally liable for damage.

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The PLD establishes a “no fault” civil liability regime under which consumers can bring claims against producers of “defective” products (note that the definition of “producer” is wider than the concept of “manufacturer” as discussed above). “Suppliers” of products may become liable under the PLD in certain circumstances if their products are defective and cause harm. The Company may face liability under the PLD, if for example the “producer” cannot be identified and the Company, acting in the role of a distributor, is unable to inform the injured person of the producer’s or upstream supplier’s identity within a reasonable period of time.

Manufacturers and suppliers may also face criminal liabilities if their products are defective or unsafe. Alternatively, should the Company simply act as an intermediary service provider and not be considered to be a supplier of the products, it may benefit from an exemption of liability for damages or criminal sanctions related to the content provided by third parties using their networks. Provided that certain conditions are fulfilled, this would mean that the Company would be exempt from liability (including administrative and tortious liability) relating to the activities of their third party customers.

### **EU: Selling practices and consumer rights**

#### *Unfair Commercial Practices Directive 2005/29/EC (“UCP”)*

The UCP regulates unfair business practices in EU law and enables member states to curb a broad range of unfair business practices. Examples of such unfair business practices include untruthful or misleading information provided to consumers or aggressive marketing techniques to influence their choices.

The UCP has been amended by Directive (EU) 2019/2161. The UCP may be applicable to the Company if it satisfies the definition of a “trader”, which is determined on a case by case basis. An online platform provider may be considered a “trader”, whenever, for example, it charges a commission on the transactions between suppliers and users, provides additional paid services or draws revenues from targeted advertising. A platform qualifying as a “trader” must always comply with EU consumer and marketing law as far as its own commercial practices are concerned. In particular, traders are subject to the transparency requirements of the UCP, which require them to refrain from misleading actions and omissions whenever engaging in the promotion, sale or supply of a product to consumers.

Alternatively, should the Company simply act as a passive intermediary service provider and not considered to be a trader under the UCP, it may benefit from an exemption of liability for the information stored (including where this information is in breach of consumer law). Provided that certain conditions are fulfilled, this would mean that the Company would be exempted from liability for unfair commercial practices relating to illegal information stored at the request of third parties.

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## REGULATORY OVERVIEW

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### ***Consumer Rights Directive 2011/83/EU (“CRD”)***

The CRD aims to: ensure transparency of information, particularly regarding pre-contractual information for distance and off-premises contracts (extensive information must be provided in advance of the purchase as consumers are unable to check the products in the same way they usually would if the sale was completed “on premises”); ensure there is express consent from the consumer for any additional payments (i.e. for gift wrapping or delivery services); and ensure cancellations rights for distance and off-premises contracts (which includes a 14 day cooling off period).

The CRD is likely to be relevant to the Company as it regulates “distance” contracts (i.e. contracts concluded between a trader and a consumer using distance communication, such as the internet). Whether the Company satisfies the definition of a ‘trader’ under the CRD (which is defined similarly as under the UCP discussed above), will be determined on a case by case basis.

The CRD places a number of additional information obligations on providers of ‘an online marketplace’.

### ***Consumer Sales and Guarantees Directive 1999/44/EC (“CSGD”)***

The CSGD aims to harmonise those parts of consumer sales contract law that concern legal guarantees and commercial guarantees. “Sellers” of consumer goods (defined as “*any natural or legal person who, under a contract, sells consumer goods in the course of his trade, business or profession*”) have to guarantee that the goods are in conformity with the contract for a minimum period of two years after the delivery of the goods. Depending on the facts, the Company could satisfy the definition of “seller” under the CSGD; this would be determined on a case by case basis.

The CSGD applies to all ‘consumer goods’, regardless of the manner in which they are sold. Consumer goods are defined as “*any tangible movable item*” with limited exceptions. The CSGD will therefore apply to the types of goods sold by the Company.

If the goods are not in conformity with the contract, the seller shall be liable and consumers can ask for the goods to be repaired, replaced, and reduced in price or for the contract to be terminated. Consumers may be required to inform the seller of the lack of conformity within two months after its discovery.

Any commercial guarantee provided by a seller (or producer) must be clearly drafted and indicate what rights it gives on top of the consumer’s legal rights.

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## REGULATORY OVERVIEW

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### SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the UN, the European Union, the U.K., United Kingdom overseas territories and Australian sanctions in their entirety.

#### U.S.

##### *Treasury regulations*

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

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## REGULATORY OVERVIEW

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### UN

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

UN sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the UN and override other obligations of UN member states.

### European Union

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

### United Kingdom and United Kingdom overseas territories

Although the United Kingdom departed from the EU on 31 January 2020 and is no longer an EU member state, EU law including EU sanctions measures will continue to apply to and in the United Kingdom until 31 December 2020, unless further extended. EU sanctions measures have also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands.

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## REGULATORY OVERVIEW

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### **Australia**

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are an E-commerce platform operator headquartered in Hong Kong. We primarily engage in the procurement and sale of Asian fashion & lifestyle, beauty and entertainment products to customers around the world. Our mission is to become the “go-to” E-commerce gateway that bridges Asian products with customers worldwide.

The history of our Group can be traced back to 1997 when Mr. Lau, our Chief Executive Officer, an executive Director and our Controlling Shareholder and Ms. Chu, the Chair of the Board, an executive director and our Controlling Shareholder, founded Asia CD, Inc. (“**Asia CD**”) in California. Asia CD was principally engaged in the procuring and purchasing of entertainment products from Asia and selling such products in the U.S. We launched our first website “AsiaCD.com” in 1998.

Our business attracted external investors in July 1999 and April 2000, in which we completed our Series A and Series B preferred financing, respectively. Subsequent to our completion of the Series B financing, Asia CD changed its name to YesAsia.com, Inc. and its website to *www.YesAsia.com* *yesasia.com*. To position ourselves in capturing business opportunities outside the U.S., we underwent a series of corporate reorganizations in 2005, which included the incorporation of our Company as the investment holding company of our Group and the transfer of the operating companies from Asia CD to our Company (the “**Reorganization**”). Following the Reorganization, the then shareholders of Asia CD became the shareholders of our Company. For details of the Reorganization, please refer to the section headed “Corporate Establishment and Development and Major Shareholding Changes Of Our Group — 5. The Reorganization”.

In February 2006, we completed the Series C preferred financing. In the same year, we launched *www.YesStyle.com* *YESSTYLE* and diversified our business into fashion & lifestyle, beauty and entertainment products. We launched *www.AsianBeautyWholesale.com* *abw* in 2017 to further extend our reach to E-commerce wholesale customers. Our footprint has expanded worldwide and, as at the Latest Practicable Date, we have accumulated more than 4.7 million<sup>(1)</sup> E-commerce customers worldwide, from countries including the U.S., the U.K., France, Canada, Australia, Japan and many other parts of the world since the launch of *www.YesAsia.com*.

*Note:*

- (1) Accumulated customers refer to all customers who had purchased products from our E-commerce platforms at least once during the period from the launch of YesAsia.com to the Latest Practicable Date. A person is considered as a customer on our E-commerce platform if he/she/it is registered with our E-commerce platform and placed at least one order under his/her/its account. A person who made his/her/its purchases on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform and any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### KEY BUSINESS MILESTONES

The following table summarizes various key milestones in our development:

<u>Timeline</u>	<u>Major developments and milestones</u>
December 1997	Mr. Lau and Ms. Chu founded our Group in California under the name Asia CD, Inc.
April 1998	The first website <i>AsiaCD.com</i> was launched.
July 1999	We completed our Series A preferred financing.
March 2000	Asia CD, Inc. changed its name to YesAsia.com, Inc.
April 2000	We completed our Series B preferred financing.  Our website “ <i>AsiaCD.com</i> ” was changed to <i>www.YesAsia.com</i> .
June 2005	We completed our corporate reorganization, where our Company was incorporated and became the investment holding company for all of our operating companies.
February 2006	We completed our Series C preferred financing.
July 2006	We launched the website <i>www.YesStyle.com</i> .
November 2006	YesAsia.com was listed as one of Internet Retailer’s Top 50 “Best of the Web” retail sites for 2007.
May 2013	We exceeded 1 million likes on our YesStyle Facebook account.
May 2014	We launched our <i>YesStyle</i> app.
August 2017	We launched the website <i>www.AsianBeautyWholesale.com</i> .
January 2018	We launched our KOL Initiative.
September 2018	We received Hong Kong’s Most Outstanding Business Awards 2019.
February 2019	We launched our <i>YesStyle Influencer Program</i> .
December 2019	The number of <i>YesStyle</i> app downloads reached 3 million.
March 2020	Our followers counts exceeded 1 million for our YesStyle Instagram account.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<u>Timeline</u>	<u>Major developments and milestones</u>
September 2020	We received Hong Kong Business Technology Excellence Awards (E-commerce Retail category).
December 2020	We received Asia's Best E-Tailing Awards (Best Cross-border Award).

### OUR COMPANY'S MAJOR SUBSIDIARIES

The detailed information of each member of our Group that made a material contribution to our operating results during the Track Record Period are shown below:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Principal business activities</u>
YesAsia.com Limited	Hong Kong	7 December 1998	Trading of entertainment products; investment holding and E-commerce B2C sales via <i>www.YesAsia.com</i>
YesStyle.com Limited	Hong Kong	13 April 2006	Trading of fashion attire, beauty and accessories; and E-commerce B2C sales via <i>www.YesStyle.com</i> and mobile app
YesAsia Trading (Hong Kong) Limited	Hong Kong	13 October 2005	Trading of beauty products; and E-commerce B2B sales via <i>www.AsianBeautyWholesale.com</i>
YesAsia.com (Korea) Limited	South Korea	12 July 2002	Trading of entertainment products, fashion attire and beauty products; and sourcing products for YesAsia.com Limited and YesStyle.com Limited
YesAsia.com.Japan Kabushiki Kaisha ( <i>iesu asia dotto comu japan kabushiki kaisha</i> )	Japan	24 December 1999	Trading of entertainment products, fashion attire and beauty products; E-commerce B2B wholesale to retailers in Japan; and sourcing products for YesAsia.com Limited and YesStyle.com Limited

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### CORPORATE ESTABLISHMENT AND DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR GROUP

#### 1. Establishment of the Company's Predecessor

Our Company's predecessor, Asia CD, was founded in December 1997 in California.

#### 2. Allotment and Issuance of Series A Preferred Shares

On 29 July 1999, Asia CD entered into a share purchase agreement with each of the Series A Preferred Shareholders, pursuant to which the Series A Preferred Shareholders agreed to purchase for an aggregate of 1,060,000 Series A Preferred Shares at an average price of US\$1.0000 per Series A Preferred Share at the consideration of US\$1,060,000. For further details, please refer to the section headed "Pre-IPO Investments".

#### 3. Allotment and Issuance of Series B Preferred Shares

On 10 April 2000, Asia CD entered into a stock purchase agreement with each of the then Series B preferred shareholders, pursuant to which the then Series B preferred shareholders agreed to purchase for an aggregate of 5,487,273 Series B Preferred Shares at an average price of US\$2.1869 per Series B Preferred Share at the consideration of US\$12,000,117. For further details, please refer to the section headed "Pre-IPO Investments".

#### 4. Change of the name of Asia CD to YesAsia.com, Inc.

In April 2000, Asia CD changed its name to YesAsia.com, Inc. ("YesAsia.com").

#### 5. The Reorganization

To position ourselves in capturing business opportunities outside the U.S., the Company underwent a series of corporate reorganizations in 2005 for the purposes of transferring its businesses and assets to Hong Kong. The following summarizes the major steps taken by the Group in the Reorganization.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *A. Incorporation of the Company*

On 11 March 2005, our Company was incorporated in Hong Kong as a limited liability company. Upon its incorporation, the Company had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 26 April 2005, one share, representing the entire issued share capital of our Company, was issued subsequently to YesAsia.com. On 2 June 2005, the Company increased its authorized share capital to the following amounts and denominations.

<u>Class of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>
Ordinary Shares <sup>(1)</sup>	US\$0.01	50,000,000
Series A Preferred Shares	US\$0.01	1,100,000
Series B Preferred Shares	US\$0.01	5,600,000

### *B. Asset Transfer from YesAsia.com to our Company*

On 2 June 2005, YesAsia.com and our Company entered into an asset purchase agreement, pursuant to which our Company acquired from YesAsia.com certain assets, including but not limited to cash, all rights under certain contracts relating to the businesses conducted by YesAsia.com and its subsidiaries (other than the Company), all shares of certain direct and indirect subsidiaries of YesAsia.com (other than the Company) and certain intellectual property rights (collectively, the “**Asset Transfer**”). In consideration of the Asset Transfer, the Company (i) assumed all obligations relating to the Asset Transfer and (ii) allotted and issued to YesAsia.com shares in our Company in the following amounts and denominations, which completed on 2 June 2005:

<u>Class of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>
Ordinary Shares	US\$0.01	16,151,325
Series A Preferred Shares	US\$0.01	1,060,000
Series B Preferred Shares	US\$0.01	5,460,978

### *C. Distribution of Assets in Specie of YesAsia.com and Dissolution of YesAsia.com*

On 18 September 2005, as part of its plan of dissolution, YesAsia.com effected a distribution of assets in specie to its then shareholders, as a result of which all shares in the Company held by YesAsia.com were distributed to its then shareholders in the same class of shares and proportion of their respective shareholding percentages in YesAsia.com. On 18 October 2005, YesAsia.com was dissolved.

(1) The Company re-designated the name of its common shares to ordinary shares in March 2021.

### 6. Allotment and Issuance of Series C Preferred Shares

On 21 February 2006, the Company entered into a Series C preferred shares allotment agreement, pursuant to which the then Series C preferred shareholders agreed to purchase for an aggregate of 3,566,334 Series C Preferred Shares at an average price of US\$0.6309 per Series C Preferred Share at the consideration of US\$2,250,000. For further details, please refer to the section headed “Pre-IPO Investments”.

### 7. Share Repurchase

The Company conducted a total of five rounds of share repurchases from 2016 to 2020. As the Company did not have distributable profits available for dividend declaration during the said period, the purpose of such share repurchases was to provide the then Shareholders (including eligible employees who exercised their vested share options granted under the Pre-IPO Share Option Schemes (the “**Optionee Employees**”)) and the then Preferred Shareholders with immediate monetary returns. All shares repurchased were subsequently cancelled by the Company.

The Company offered all then existing Shareholders (including the Optionee Employees) and Preferred Shareholders to participate in each of the respective share repurchase schemes by way of a letter stating the material terms of the relevant share repurchase scheme (including but not limited to the price per Share, Series A Preferred Share, Series B Preferred Share and Series C Preferred Share (as applicable) and the maximum number of Shares, Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares that may be repurchased by the Company from each such Shareholder (including Optionee Employee) and Preferred Shareholder (as applicable)) on a pro rata basis. Upon receipt of the application letters from the then existing Shareholders (including the Optionee Employees) and Preferred Shareholders indicating their interest in participating in the relevant share repurchase schemes, the Company entered into share repurchase contracts with such Shareholders (including the Optionee Employees) and Preferred Shareholders. The following sets out the pertinent terms of the share repurchases conducted by the Company from 2016 to 2020:

In 2016, the Company conducted a share repurchase from its Shareholders (including the Optionee Employees) and Preferred Shareholders of an aggregate of 733,951 Shares, 692 Series A Preferred Shares, 88,867 Series B Preferred Shares and 66,654 Series C Preferred Shares with an aggregate purchase price of US\$812,379. The prices per (i) Share, (ii) Series A Preferred Share, (iii) Series B Preferred Share and (iv) Series C Preferred Share were US\$0.80, US\$2.00, US\$2.816 and US\$1.20, respectively, which were determined with reference to the opinion issued by an external appraiser based on the fair value of each class of equity issued by the Company by way of a discounted cash flow analysis prior to such share repurchase. A total of 65 Shareholders, two Series A Preferred Shareholders, nine Series B Preferred Shareholders and five Series C Preferred Shareholders participated in the share repurchase in 2016.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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In 2017, the Company conducted a share repurchase from its Shareholders (including the Optionee Employees) and Preferred Shareholders of an aggregate of 581,266 Shares, 884 Series A Preferred Shares, 76,379 Series B Preferred Shares and 57,069 Series C Preferred Shares with an aggregate purchase price of US\$890,000. The prices per (i) Share, (ii) Series A Preferred Share, (iii) Series B Preferred Share and (iv) Series C Preferred Share were US\$0.96, US\$2.36, US\$3.285 and US\$1.40, respectively, which were determined with reference to the opinion issued by an external appraiser based on the fair value of each class of equity issued by the Company by way of a discounted cash flow analysis prior to such share repurchase. A total of 34 Shareholders, three Series A Preferred Shareholders, 11 Series B Preferred Shareholders and five Series C Preferred Shareholders participated in the share repurchase in 2017.

In 2018, the Company conducted a share repurchase from the Optionee Employees of an aggregate of 141,586 Shares with an aggregate purchase price of US\$170,000. The price per Share was US\$1.20, which was determined with reference to the opinion issued by an external appraiser based on the fair value of each class of equity issued by the Company by way of a discounted cash flow analysis prior to such share repurchase. A total of 18 Optionee Employees participated in the share repurchase in 2018.

In 2019, the Company conducted a share repurchase from the Optionee Employees of an aggregate of 296,187 Shares with an aggregate purchase price of US\$458,000. The price per Share was US\$1.55, which was determined with reference to the opinion issued by an external appraiser based on the fair value of each class of equity issued by the Company by way of a discounted cash flow analysis prior to such share repurchase. A total of 37 Optionee Employees participated in the share repurchase in 2019.

In 2020, the Company conducted a share repurchase from its Shareholders (including the Optionee Employees) and Preferred Shareholders of an aggregate of 886,639 Shares, 10,019 Series A Preferred Shares, 130,995 Series B Preferred Shares and 60,982 Series C Preferred Shares with an aggregate purchase price of US\$2,737,000. The prices per (i) Share, (ii) Series A Preferred Share, (iii) Series B Preferred Share and (iv) Series C Preferred Share were, respectively, US\$2.01, US\$4.60, US\$5.80 and US\$2.45, which were determined with reference to the opinion issued by an external appraiser based on the fair value of each class of equity issued by the Company by way of a discounted cash flow analysis prior to such share repurchase. A total of 67 Shareholders, two Series A Preferred Shareholders, 12 Series B Preferred Shareholders and three Series C Preferred Shareholders participated in the share repurchase in 2020.

As at 31 December 2020, our Company's reserves available for distribution amounted to approximately US\$0.2 million. Upon Listing, we will comply with the relevant requirements under the Listing Rules and the Companies Ordinance in the event we intend to repurchase our shares or make dividend declarations to provide financial returns to our Shareholders.

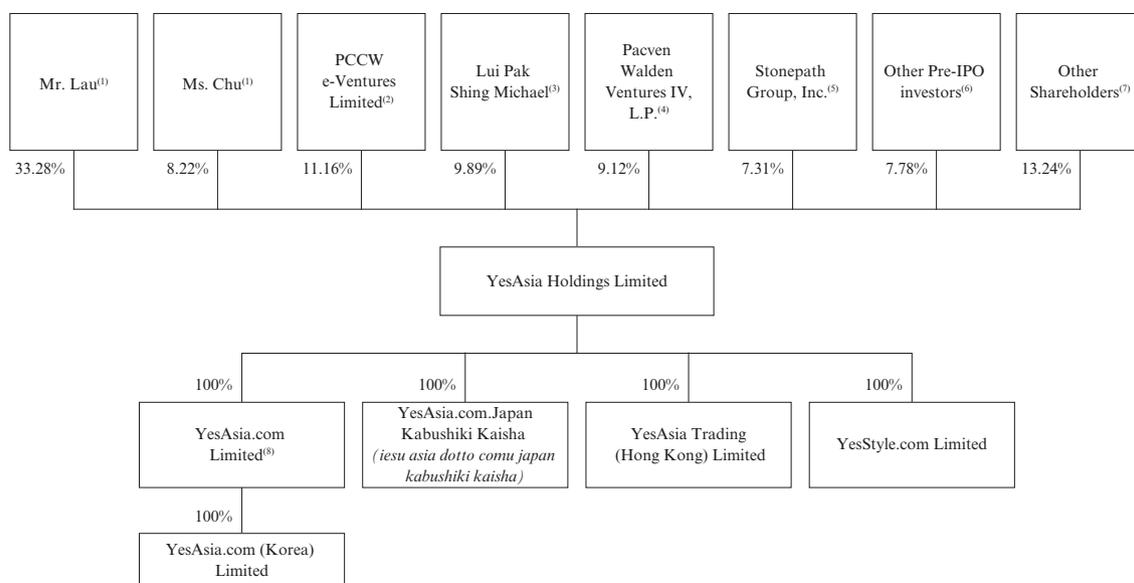
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### 8. Share Split

On 9 June 2021, the Company effected the Share Split, pursuant to which each Share was subdivided into ten Shares. Immediately after the Share Split and as of the Latest Practicable Date, all of the issued shares in the Company comprise fully paid 179,865,530 Shares, 1,048,405 Series A Preferred Shares, 5,164,737 Series B Preferred Shares and 3,381,629 Series C Preferred Shares.

### OUR SHAREHOLDING AND CORPORATE STRUCTURE

The chart below illustrates the shareholding structure and major subsidiaries of our Group immediately before the completion of the Global Offering (on the basis that all the Preferred Shares of the Company are converted into our Shares according to their respective conversion ratios and assuming the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised):



*Notes:*

- (1) As at the Latest Practicable Date, Mr. Lau directly held 118,412,980 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle him to subscribe for 3,700,000 Shares.

As at the Latest Practicable Date, Ms. Chu directly held 29,235,550 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle her to subscribe for 600,000 Shares.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As Mr. Lau is the spouse of Ms. Chu and vice versa, and they are each deemed under the SFO to be interested in the Shares directly held by each other, they are therefore both interested in the combined number of Shares (being 151,948,530 Shares (on an as-converted basis) as at the Latest Practicable Date).

For the avoidance of doubt, the shareholding percentages of Mr. Lau and Ms. Chu in the Company as shown in the chart do not include any options granted under the Pre-IPO Share Option Schemes.

- (2) PCCW e-Ventures Limited is 50% held by CyberWorks Ventures Limited and 50% held by PCCW Nominees Limited (acting as a bare trustee for and on behalf of CyberWorks Ventures Limited as the beneficiary). CyberWorks Ventures Limited is a wholly-owned subsidiary of PCCW Limited (being a company listed on the Hong Kong Stock Exchange with stock code 0008). Therefore, each of CyberWorks Ventures Limited and PCCW Limited is deemed to be interested in the Shares held by PCCW e-Ventures Limited under the SFO.
- (3) Lui Pak Shing Michael is a Non-executive Director of our Company.
- (4) Pacven Walden Ventures IV, L.P. is a Cayman registered limited partnership, which is controlled by its general partner, Pacven Walden Management II, L.P. Therefore, Pacven Walden Management II, L.P. is deemed to be interested in the 32,458,590 Shares (on an as-converted basis) held by Pacven Walden Ventures IV, L.P. under the SFO.
- (5) As at the Latest Practicable Date, Stonepath Group, Inc. is a U.S. company incorporated in the State of Delaware. As far as our Directors are aware, Stonepath Group, Inc. is held by various shareholders, and none of which is deemed to be interested in the Shares held by Stonepath Group, Inc. under the SFO.
- (6) Other Pre-IPO Investors collectively refer to Andrew Panzo, JDX Limited Partners, Barry Uphoff, Douglas B. Spink, Darr Aley, Tom Aley, Owen Van Natta, WIIG-Nikko IT LLC, Loo Hock Voon, Aaron E. Kim, Michael Short, Mark Hsieh, Lee Hansen, Springvest Corporation, Lau Wai Kit Winkie, Kenneth Yang, F&W Investments LP — Series 2000-II, J. Robert Coleman, Jr. and Diane Sanders Coleman (as trustees for Coleman Family Trust), Scott H. Coleman, Meredith Cranston and Lau Mui Sum. For further details, please refer to the section headed “Pre-IPO Investments — 3. Information about the Pre-IPO Investors” in this section.
- (7) Other Shareholders collectively refers to a total of 87 individuals and 1 corporate shareholder, including Lau Wai Ho, Chu Kin Hang, Gary Tam, Chu Pui King, In Express Limited (owned as to 50% interest by Lau Wai Kit Winkie), Madsen Duane, Steven Chung Chu, Paul Kwan, Keng Chee Kwok, Lyncoln Cheng, David Liu, Wong Shuet Ha, Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Stephen J. George, Wan Siu Chung, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Kim In Sook, Yuen Wing Chi, Ng Sai Cheong, Leung Chi Yuen Eddie, Erik Hohmann, David B. Hoppe, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Albuero, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley,

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

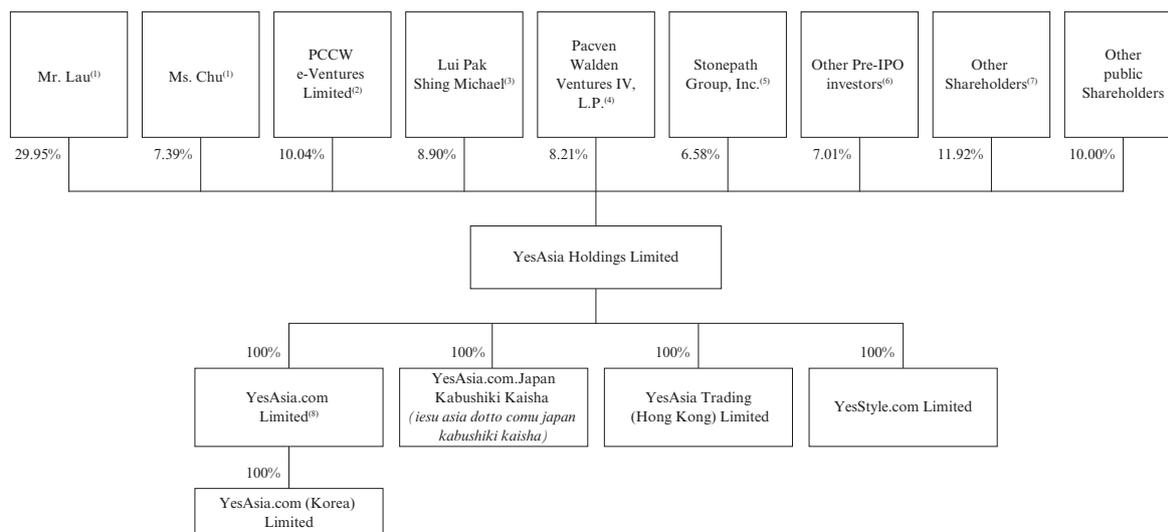
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Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who exercised their share options granted pursuant to the Pre-IPO Share Option Schemes, and otherwise an independent third party, save and except (i) Lau Wai Ho, who is the father of Mr. Lau, (ii) Chu Pui King, who is the sister-in-law of Mr. Lau and sister of Ms. Chu, and an employee of the Company, (iii) Chu Kin Hang, who is the brother-in-law of Mr. Lau and brother of Ms. Chu, and a member of the senior management of the Company, (iv) Wong Sheut Ha, who is an executive director of our Company, (v) each of Ng Sai Cheong, Wan Siu Chung, Kim In Sook and Erik Hohmann, who is a member of the senior management of our Company, (vi) Steven Chung Chu, who is an ex-director of a subsidiary of the Group, (vii) a total of 70 individuals, including each of Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Yuen Wing Chi, Leung Chi Yuen Eddie, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Alburo, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley, Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who is or was an employee of our Company, and (viii) David B. Hoppe, who is an external U.S. counsel of the Company.

- (8) Mr. Lau holds one share, representing 10% of interest, in YesAsia.com Limited as a trustee for the Company, which is the beneficial owner of the shares in YesAsia.com Limited held by Mr. Lau. YesAsia.com Limited was incorporated on 7 December 1998 and was subject to the requirement for a minimum of two shareholders set out in the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong). Mr. Lau holds the interest in YesAsia.com Limited upon trust for the Company for nominee shareholding purpose.
- (9) Assuming the outstanding options under the Pre-IPO Share Option Schemes are fully exercised, each of Mr. Lau, Ms. Chu, PCCW e-Ventures Limited, Lui Pak Shing Michael, Pacven Walden Ventures IV, L.P., Stonepath Group, Inc. and other Pre-IPO Investors will hold approximately 32.13%, 7.85%, 10.45%, 9.26%, 8.54%, 6.84% and 7.29%, respectively, in the enlarged share capital of the Company immediately before the completion of the Global Offering. All other shareholders will collectively hold approximately 17.63% in the enlarged share capital of the Company immediately before the completion of the Global Offering.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The chart below illustrates the shareholding structure and major subsidiaries of our Group immediately after the completion of the Global Offering (on the basis that all the Preferred Shares of the Company are converted into our Shares according to their respective conversion ratios and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme):



*Notes:*

- (1) As at the Latest Practicable Date, Mr. Lau directly held 118,412,980 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle him to subscribe for 3,700,000 Shares.

As at the Latest Practicable Date, Ms. Chu directly held 29,235,550 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle her to subscribe for 600,000 Shares.

As Mr. Lau is the spouse of Ms. Chu and vice versa, and they are each deemed under the SFO to be interested in the Shares directly held by each other, they are therefore both interested in the combined number of Shares (being 151,948,530 Shares (on an as-converted basis) as at the Latest Practicable Date).

For the avoidance of doubt, the shareholding percentages of Mr. Lau and Ms. Chu in the Company as shown in the chart do not include any options granted under the Pre-IPO Share Option Schemes.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (2) PCCW e-Ventures Limited is 50% held by CyberWorks Ventures Limited and 50% held by PCCW Nominees Limited (acting as a bare trustee for and on behalf of CyberWorks Ventures Limited as the beneficiary). CyberWorks Ventures Limited is a wholly-owned subsidiary of PCCW Limited (being a company listed on the Hong Kong Stock Exchange with stock code 0008). Therefore, each of CyberWorks Ventures Limited and PCCW Limited is deemed to be interested in the Shares held by PCCW e-Ventures Limited under the SFO.
- (3) Lui Pak Shing Michael is a Non-executive Director of our Company.
- (4) Pacven Walden Ventures IV, L.P. is a Cayman registered limited partnership, which is controlled by its general partner, Pacven Walden Management II, L.P. Therefore, Pacven Walden Management II, L.P. is deemed to be interested in the 32,458,590 Shares (on an as-converted basis) held by Pacven Walden Ventures IV, L.P. under the SFO.
- (5) As at the Latest Practicable Date, Stonepath Group, Inc. is a U.S. company incorporated in the State of Delaware. As far as our Directors are aware, Stonepath Group, Inc. is held by various shareholders, and none of which is deemed to be interested in the Shares held by Stonepath Group, Inc. under the SFO.
- (6) Other Pre-IPO Investors collectively refer to Andrew Panzo, JDX Limited Partners, Barry Uphoff, Douglas B. Spink, Darr Aley, Tom Aley, Owen Van Natta, WIIG-Nikko IT LLC, Loo Hock Voon, Aaron E. Kim, Michael Short, Mark Hsieh, Lee Hansen, Springvest Corporation, Lau Wai Kit Winkie, Kenneth Yang, F&W Investments LP — Series 2000-II, J. Robert Coleman, Jr. and Diane Sanders Coleman (as trustees for Coleman Family Trust), Scott H. Coleman, Meredith Cranston and Lau Mui Sum. For further details, see section headed “Pre-IPO Investments — 3. Information about the Pre-IPO Investors” in this section.
- (7) Other Shareholders collectively refers to a total of 87 individuals and 1 corporate shareholder, including Lau Wai Ho, Chu Kin Hang, Gary Tam, Chu Pui King, In Express Limited (owned as to 50% interest by Lau Wai Kit Winkie), Madsen Duane, Steven Chung Chu, Paul Kwan, Keng Chee Kwok, Lyncoln Cheng, David Liu, Wong Shuet Ha, Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Stephen J. George, Wan Siu Chung, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Kim In Sook, Yuen Wing Chi, Ng Sai Cheong, Leung Chi Yuen Eddie, Erik Hohmann, David B. Hoppe, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Alburo, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley,

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who exercised their share options granted pursuant to the Pre-IPO Share Option Schemes, and otherwise an independent third party, save and except (i) Lau Wai Ho, who is the father of Mr. Lau, (ii) Chu Pui King, who is the sister-in-law of Mr. Lau and sister of Ms. Chu, and an employee of the Company, (iii) Chu Kin Hang, who is the brother-in-law of Mr. Lau and brother of Ms. Chu, and a member of the senior management of the Company, (iv) Wong Sheut Ha, who is an executive director of our Company, (v) each of Ng Sai Cheong, Wan Siu Chung, Kim In Sook and Erik Hohmann, who is a member of the senior management of our Company, (vi) Steven Chung Chu, who is an ex-director of a subsidiary of the Group, (vii) a total of 70 individuals, including each of Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Yuen Wing Chi, Leung Chi Yuen Eddie, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Alburo, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley, Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who is or was an employee of our Company, and (viii) David B. Hoppe, who is an external U.S. counsel of the Company.

- (8) Mr. Lau holds one share, representing 10% of interest, in YesAsia.com Limited as a trustee for the Company, which is the beneficial owner of the shares in YesAsia.com Limited held by Mr. Lau. YesAsia.com Limited was incorporated on 7 December 1998 and was subject to the requirement for a minimum of two shareholders set out in the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong). Mr. Lau holds the interest in YesAsia.com Limited upon trust for the Company for nominee shareholding purpose.
- (9) Assuming the outstanding options under the Pre-IPO Share Option Schemes are fully exercised, each of Mr. Lau, Ms. Chu, PCCW e-Ventures Limited, Lui Pak Shing Michael, Pacven Walden Ventures IV, L.P., Stonepath Group, Inc. and other Pre-IPO Investors will hold approximately 29.10%, 7.11%, 9.46%, 8.39%, 7.74%, 6.20% and 6.61%, respectively, in the enlarged share capital of the Company immediately after the completion of the Global Offering. All other shareholders will collectively hold approximately 25.39% in the enlarged share capital of the Company immediately after the completion of the Global Offering.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### PRE-IPO INVESTMENTS

#### 1. Overview

Our Company underwent three-rounds of Pre-IPO Investments. The basis of determination for the consideration for the Pre-IPO Investments were arm’s length negotiations between our Company and the respective Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities at the relevant time.

In connection with the Pre-IPO Investments, the Pre-IPO Investors became parties to the Investors’ Rights Agreement at the time of their relevant investment.

The below table is a summary of the capitalization of the Company (excluding any outstanding options granted under the Pre-IPO Share Option Schemes). For further details of the options granted under the Pre-IPO Share Option Schemes, see the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme”:

<u>Shareholders</u>	<u>Shares</u>	<u>Series A Preferred Shares</u>	<u>Series B Preferred Shares</u>	<u>Series C Preferred Shares</u>	<u>Shareholding percentage as at the date of this prospectus (on an as-converted basis)<sup>(1)</sup></u>	<u>Shareholding percentage as at the Listing Date (on an as-converted basis)<sup>(2)</sup></u>
Mr. Lau	79,510,330	–	1,279,644	887,324	33.28%	29.95%
Ms. Chu	18,667,000	–	422,705	64,893	8.22%	7.39%
PCCW e-Ventures Limited	–	–	1,691,909	–	11.16%	10.04%
Lui Pak Shing Michael Pacven Walden Ventures IV, L.P.	20,328,620	–	–	1,485,459	9.89%	8.90%
WIIG-Nikko IT LLC	–	–	1,383,159	–	9.12%	8.21%
Stonepath Group, Inc.	–	–	209,271	–	1.38%	1.24%
Andrew Panzo	6,000,000	1,000,000	–	–	7.31%	6.58%
JDX Limited Partners	–	11,362	–	–	0.06%	0.06%
Barry Uphoff	–	6,681	4,584	–	0.07%	0.06%
Douglas Spink	–	11,362	–	–	0.06%	0.06%
Darr Aley	–	7,000	–	–	0.04%	0.04%
Tom Aley	–	4,000	–	–	0.02%	0.02%
Owen Van Natta	–	4,000	–	–	0.02%	0.02%
Loo Hock Voon	–	–	102,554	–	0.68%	0.61%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Shareholders</u>	<u>Shares</u>	<u>Series A Preferred Shares</u>	<u>Series B Preferred Shares</u>	<u>Series C Preferred Shares</u>	<u>Shareholding percentage as at the date of this prospectus (on an as-converted basis)<sup>(1)</sup></u>	<u>Shareholding percentage as at the Listing Date (on an as-converted basis)<sup>(2)</sup></u>
Aaron E. Kim	84,930	–	4,373	–	0.05%	0.05%
Michael Short	–	–	105	–	0.0007%	0.0006%
Mark Hsieh	–	–	211	–	0.001%	0.001%
Lee Hansen	–	–	3,430	–	0.02%	0.02%
Springvest Corporation	–	–	17,180	–	0.11%	0.10%
Lau Wai Kit Winkie	–	–	4,573	158,504	0.48%	0.43%
Kenneth Yang	–	–	18,176	–	0.12%	0.11%
F&W Investments LP — Series 2000-II	–	–	22,863	–	0.15%	0.14%
J. Robert Coleman, Jr. and Diane Sanders Coleman (as trustees for Coleman Family Trust)	5,000,000	–	–	554,763	2.96%	2.67%
Scott H. Coleman	400,000	–	–	39,626	0.22%	0.20%
Meredith Cranston	400,000	–	–	39,626	0.22%	0.20%
Lau Mui Sum	2,335,790	–	–	151,434	1.08%	0.97%
Other Shareholders <sup>(3)</sup>	47,138,860	–	–	–	13.26%	11.91%
Other public Shareholders	<u>39,540,000<sup>(4)</sup></u>	–	–	–	–	10.00%
<b>Total</b>	<b><u>179,865,530</u></b>	<b><u>1,048,405</u></b>	<b><u>5,164,737</u></b>	<b><u>3,381,629</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Notes:

- (1) Subject to further adjustment (if any) to the conversion price of the Preferred Shares pursuant to the articles of association of the Company, each share of (i) Series A Preferred Share shall be convertible into 20 Shares, (ii) Series B Preferred Share convertible into 23.467 Shares, and (iii) Series C convertible into ten Shares.
- (2) Calculated after taking into account the Shares to be issued pursuant to the Global Offering, assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (3) Other Shareholders collectively refers to a total of 87 individuals and 1 corporate shareholder, including Lau Wai Ho, Chu Kin Hang, Gary Tam, Chu Pui King, In Express Limited (owned as to 50% interest by Lau Wai Kit Winkie), Madsen Duane, Steven Chung Chu, Paul Kwan, Keng Chee Kwok, Lyncoln Cheng, David Liu, Wong Shuet Ha, Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Stephen J. George, Wan Siu Chung, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Kim In Sook, Yuen Wing Chi, Ng Sai Cheong, Leung Chi Yuen Eddie, Erik Hohmann, David B. Hoppe, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Alburo, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley, Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who hold in the aggregate of 13.26% in the Company and none of whom (other than Chu Kin Hang, Madsen Duane and Wong Shuet Ha who hold approximately 1.61%, 1.20% and 1.39%, respectively) holds more than 1.00% in the Company immediately before completion of the Global Offering, respectively, who exercised their share options granted pursuant to the Pre-IPO Share Option Schemes, and otherwise an independent third party, save and except (i) Lau Wai Ho, who is the father of Mr. Lau, (ii) Chu Pui King, who is the sister-in-law of Mr. Lau and sister of Ms. Chu, and an employee of the Company, (iii) Chu Kin Hang, who is the brother-in-law of Mr. Lau and brother of Ms. Chu, and a member of the senior management of the Company, (iv) Wong Sheut Ha, who is an executive Director of our Company, (v) each of Ng Sai Cheong, Wan Siu Chung, Kim In Sook and Erik Hohmann, who is a member of the senior management of our Company, (vi) Steven Chung Chu, who is an ex-director of a subsidiary of the Group, (vii) a total of 70 individuals, including each of Albert Wong, James Parr, Cheung Tit Fu Timothy, Lee Yuen Wang, Leung Wai Cheong, Tai Ching Ngai, Sze Wai Lok, Wong Hoi Kin, Yuen Wing Chi, Leung Chi Yuen Eddie, Cheung Cheuk Kin, Liu Wai Lap, Ma Ping Cheung, Wong Man Kee Maggie, Cheng Pui Ying, Keung Shun Yin, Lee Chung Sing Antony, Yuen Kam Fung Kevin, Sze Heung Ling, Wu Wai Leung, Tam Chun Lung, Chen Chu-Jen Ross, Chao Chie Hua, Baluyos Gladys Alburo, Chung Pui Ha, Wong Man Yan Annie, Chan Ka Kit, Cheung Shelley, Yeung Pik Yuk, Yeung Yuen Man, Lam Ngai Fong, Chan Shu Kwong Stanley, Chun Tin Yue, Chan Chung Hang, Fung Chi Hong, Tsang Yuen Ting, Wong Yuk Chu, Leung Hoi Yin, Hui Chik Keung, Kong Lai Yee, Kwok Chi Wai, Lay Pauline, Leung Man Kit, Lo Nerissa Stacey, Tang Wai Han, So Chin Ting, Lee Suk Ying Bianka, Chan Ying Ying, Hong Mi Sook, Ng Kam Wai, Tsang Sau Lin Joely, Hung Lai Ting, Tsang Ching Man, Cheung Chan Alexander, Gao Texuan, Mak Ka Hei, Ng Hei Man, Ngan Wai Ling, Wong Suet Kwan, Jang Jisu, Chan Man Ting, Choi Hau Ching, Huang Jinyan, Lai Yuk Ting, Luong Connie, Pau Kwok On, Poon Mou Fun, Wong Kit Chi, Yeung Chin Lung Nicky and Yeung Ching Man, who is or was an employee of our Company, and (viii) David B. Hoppe, who is an external U.S. counsel of the Company.
- (4) To be issued upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### 2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' Rights

The below table summarizes the principal terms of the Pre-IPO Investments:

	<b>Series A Preferred Shareholders</b>	<b>Series B Preferred Shareholders</b>	<b>Series C Preferred Shareholders</b>
Cost per Preferred Share paid	US\$1.0000	US\$2.1869	US\$0.6309
Conversion ratio of Preferred Shares to Shares	1 : 20	1 : 23.467	1 : 10
Date of the agreement(s)	29 July 1999	10 April 2000	21 February 2006
Date on which investment was fully and irrevocably settled	July–December 1999	April–June 2000	February–June 2006
Total number of Preferred Shares issued	1,060,000	5,487,273	3,566,334
Discount to the Offer Price <i>(on an as-converted basis)</i> <sup>(1)</sup>	Approximately 87.8%	Approximately 77.2%	Approximately 84.6%
Lock-up Period	The Pre-IPO Investors are not subject to any lock-up as set out in the Investors' Rights Agreement.		
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds for general corporate operations. As at the Latest Practicable Date, all proceeds from the Pre-IPO Investors had been utilized.		
Strategic benefits of the Pre-IPO Investors brought to the Company	At the time of the Pre-IPO Investments, the Directors are of the view that the Company can be benefitted from the additional working capital provided by the investors to the Company.		

*Note:*

- (1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$3.165 per Share, being the mid-point of the indicative Offer Price range of HK\$3.00 to HK\$3.33, on the basis that 395,390,790 Shares are expected to be in issue immediately upon completion of the Global Offering (on the basis that all of the Preferred Shares are converted into Shares and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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In addition to the terms described above, the holders of the Preferred Shares have been granted the following special rights, all of which shall automatically terminate immediately upon Listing when the Preferred Shares are converted into Shares:

**Dividend Rights**                    The holders of the Series A Preferred Share, Series B Preferred Share and Series C Preferred Share will be entitled to receive, prior and in preference to the holders of ordinary share, when, as and if declared by the Board, at such rate, out of any assets at the time legally available therefor, non-cumulative cash dividends.

No dividend shall be declared or paid or other distributions made (other than those payable solely in shares of ordinary share) with respect to the ordinary share during any fiscal year of the Company (except otherwise set out in the Memorandum and Articles of Association of the Company (the “**Articles**”)) until any declared dividends in the aforesaid amounts on the outstanding shares of Series A Preferred Share, Series B Preferred Share and Series C Preferred Share shall have been paid in such fiscal year.

**Liquidation Preference**        The holder of each share of Series B Preferred Share and Series C Preferred Share then outstanding shall be entitled to be paid, out of the funds and assets that may be legally distributed to the Company’s shareholders (the “**Available Funds and Assets**”) (and prior and in preference to any payment or distribution or setting apart of any payment or distribution of any Available Funds and Assets on shares of Series A Preferred Share or ordinary share), an amount as specified in the Articles, respectively, plus in each case an amount equal to all declared and unpaid dividends thereon, to and including the date full payment of such amount shall be tendered with respect to such liquidation, dissolution or winding up.

Subject to payment in full of the liquidation preference of the Series B Preferred Share and Series C Preferred Share as provided above, the holders of each share of Series A Preferred Share then outstanding shall be entitled to be paid, out of the Available Funds and Assets, and prior and in preference to any payment or distribution (or any setting apart of any payment or distribution) of any Available Funds and Assets on any shares of ordinary share, an amount as specified in the Articles, plus all declared but unpaid dividends on the Series A Preferred Share.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Conversion Rights

#### Optional Conversion

Each holder of Series A Preferred Share, Series B Preferred Share and Series C Preferred Share may, at any time, and from time to time, convert any or all of such holder's shares into fully-paid and non-assessable shares of ordinary share.

#### Automatic Conversion

Each share of the Series A Preferred Share, Series B Preferred Share and Series C Preferred Share shall automatically be converted into shares of ordinary share at the applicable conversion ratio immediately upon the closing of the Company's issue of its ordinary share in a qualified public offering, which results in, among other qualifications, aggregate cash proceeds (net of underwriter commissions and offering expenses) to the Company of not less than an amount as specified in the Articles.

### Right to Appoint Directors

For so long as the number of outstanding shares of Series A Preferred Share (prior to conversion into ordinary share or retirement) represents 7.5% or more of the outstanding voting capital share of the Company, the holders of the Series A Preferred Share will be entitled, voting as a separate class, to elect one director.

For so long as at least 150,000 shares of the Series B Preferred Share remains outstanding, the holders of the Series B Preferred Share will be entitled, voting as a separate class, to elect three directors.

For so long as at least 100,000 shares of the Series C Preferred Share remains outstanding, the holders of the Series C Preferred Share will be entitled, voting as a separate class, to elect one director.

For so long as at least 150,000 shares of the Series B Preferred Share remains outstanding, the holders of the Series B Preferred Share and the ordinary share, voting as a single class, will be entitled to elect one independent or outside director.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- Registration Rights** In case the Company shall receive from shareholders (other than Mr. Lau and Ms. Chu and holders of Series A Preferred Shares), who in the aggregate possess at least 30% of the shares (other than shares held by Mr. Lau, Ms. Chu or holders of Series A Preferred Shares) then outstanding, a written request that the Company file a registration statement, the Company will use its best effort to effect such registration as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such shares as are specified in such request.
- Information Rights** As long as certain holders of Series B Preferred Shares and Series C Preferred Shares hold not less than 30% of shares, the Company will deliver certain financial information and reports to such holders.
- Right of First Refusal** If Mr. Lau or Ms. Chu (the “**Selling Shareholder**”) proposes to transfer any of his or her shares (the “**Offered Shares**”), certain holders of Series B Preferred Shares and holders of Series C Preferred Shares (together, the “**Investors**”) shall have the right of first refusal to purchase that portion of the number of offered shares equal to the products of (i) the total number of Offered Shares and (ii) a ratio expressed by the fraction, (x) the numerator of which is the total number of shares in the Company owned by such investor (on an as-converted into ordinary shares basis), and (y) the denominator of which is the combined number of shares in the Company (on an as-converted into ordinary shares basis) owned by all investors that exercise a right of first refusal or co-sale, as the case may be, hereunder and the Selling Shareholder (the “**Purchase Ratio**”).
- Co-Sale Rights** If the Investors have waived or failed to exercise their right of first refusal with respect to any portion of the Offered Shares (such shares are the “**Co-Sale Shares**”), then each Investor shall have the right to participate in the transfer (other than an involuntary transfer) described in the transfer notice with respect to such Co-Sale Shares. Each Investor may sell that number of shares held by the Investor equal to the product of (i) the total number of Co-Sale Shares and (ii) the Purchase Ratio.

### Drag-Along Rights

If at any time after 25 April 2003, any Investor or certain shareholder that are a party to the amended and restated transfer restriction agreement dated 22 February 2006 (together, the “**Holder**”) (the “**Offeree**”) receives a bona fide offer (the “**Purchase Offer**”) to purchase ordinary shares and ordinary share equivalents representing at least a majority of the fully-diluted ordinary shares from an unaffiliated third party in an arms-length transaction, and the offered price per ordinary share for the sale of the Company exceeds five times the Series B conversion price (as defined in the Articles) in effect at the time of closing of the Series B purchase agreement (as adjusted for subsequent events pursuant to the Articles), the holders Series B Preferred Shares and Series C Preferred Shares representing at least 51% of the Series B Preferred Shares and Series C Preferred Shares, and ordinary shares issued upon conversion of Series B Preferred Shares and Series C Preferred Shares, all voting as a single class, shall have the right to require the Offeree(s) and the other Holders to sell their shares to such third party buyer on the terms set forth in the Purchase Offer.

### Veto Rights

Approval from holders of a majority of Series A Preferred Shares is required for any action or permit any action to take, to amend or repeal any provision of, or add any provision to, the Articles if such action would adversely affect the rights, preferences, privileges or powers of the Series A Preferred Shares.

For so long as there are at least 150,000 Series B Preferred Shares outstanding, approval from holders of a majority of Series B Preferred Shares is required for any action, or permit any action to be taken with respect to certain corporate actions, which include, among others, (i) pay any dividends on the Preferred Shares or ordinary shares, (ii) increase the total number of authorized shares of the Company, (iii) amend the Articles to increase the size of the Board above eight (8) directors, (iv) effect a liquidation or dissolution of the Company, and (v) authorise or effect any acquisition or disposition of any fixed or intangible assets in any single transaction or series of related transactions for an aggregate consideration in excess of US\$250,000.

For so long as there are at least 100,000 Series C Preferred Shares outstanding, approval from holders of a majority of Series C Preferred Shares is required for any action, or permit any action to be taken, to authorize or issue shares of any class that have any preference or priority as to dividends or assets superior to or on parity with any such preference or priority of the Series C Preferred Shares.

### **3. Information about the Pre-IPO Investors**

Our Pre-IPO Investors include certain sophisticated investors. To the best knowledge of our Directors, the background information of our Pre-IPO Investors is set out below.

PCCW e-Ventures Limited has been an investment holding vehicle for strategic investments of PCCW Limited (being a company listed on the Hong Kong Stock Exchange with stock code 0008), which is 50% held by CyberWorks Ventures Limited and 50% held by PCCW Nominees Limited (acting as a bare trustee for and on behalf of CyberWorks Ventures Limited as the beneficiary). CyberWorks Ventures Limited is a wholly-owned subsidiary of PCCW Limited. The principal activity of PCCW Limited is investment holding, and the principal activities of PCCW Limited and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers; the provision of interactive pay-TV services, over-the-top (OTT) digital media entertainment services in Hong Kong, the Asia Pacific region and other parts of the world; investments in, and development of, systems integration, network engineering, and information technology-related businesses; and development and management of premium-grade property and infrastructure projects as well as premium-grade property investments. Through HK Television Entertainment Company Limited, PCCW Limited also operates a domestic free television service in Hong Kong.

Lui Pak Shing Michael is The First Founding Investor of the Company and a non-executive Director. For further details, see the section headed “Directors and Senior Management — Directors” in this prospectus.

Pacven Walden Ventures IV, L.P. is a Cayman registered limited partnership, which is controlled by its general partner, Pacven Walden Management II, L.P. It engages in venture investments around the world focusing on cross-border investments in early stage companies, information technology companies and, in particular, Internet related business, computer, computer peripherals, information technology software, semiconductor and telecommunications companies. Save for its Pre-IPO Investments, Pacven Walden Ventures IV, L.P. does not have any other relationship with our Group or any connected persons of the Company.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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WIIG — Nikko IT LLC is a Cayman registered limited life company, which is controlled by its fund manager, WIIG Japan Management Co., Ltd. It engages in venture investments around the world focusing on cross-border investments in the technology, media and telecommunication sectors. Save for its Pre-IPO Investments, WIIG — Nikko IT LLC does not have any other relationship with our Group or any connected persons of the Company.

Stonepath Group, Inc. is a U.S. company incorporated in the State of Delaware. It is a global logistics services organization that integrates established logistics companies with technologies. Together with its subsidiaries, they offer a range of time-definite transportation and distribution solutions. Save for its Pre-IPO Investments, Stonepath Group, Inc. does not have any other relationship with our Group or any connected persons of the Company.

Andrew Panzo, Barry Uphoff, Douglas B. Spink, Darr Aley, Tom Aley, Owen Van Natta, Loo Hock Voon, Aaron E. Kim, Michael Short, Mark Hsieh, Lee Hansen, Kenneth Yang, Scott H. Coleman, Meredith Cranston are individual private investors. Save for the Pre-IPO Investments, they do not have any other relationship with our Group or any connected persons of the Company.

JDX Limited Partners is an investment holding company incorporated in the State of Utah. It was established only as a solely family holding company with investment in stocks, private companies and real estates. It is wholly owned by Stephen J. George, who is also a shareholder of the Company. Stephen J. George is also the founding managing partner of a private equity firm, Panorama Point Partners, LLC, registered in the state of Delaware, USA, that focuses on technology-enabled businesses. Save for its Pre-IPO Investments, each of JDX Limited Partners and Stephen J. George does not have any other relationship with our Group or any connected persons of the Company.

Springvest Corporation is an investment company incorporated in the British Virgin Islands and is wholly owned by Ms. Li Ting Fan. Its principal business is investment and has invested in a number of sectors, including media, game streaming, fiberglass, healthcare, biotech, computer science, notebook reader, etc.. Save for its Pre-IPO Investments, Springvest Corporation does not have any other relationship with our Group or any connected persons of the Company.

Lau Wai Kit Winkie and Lau Mui Sum are relatives of Mr. Lau.

F&W Investments LP — Series 2000-II is limited partnership incorporated in Delaware and is wholly owned by F&W Operations LLC. Its principal business is investing in the stock of emerging growth companies in the technology and life science industries. Save for its Pre-IPO Investments, F&W Investments 2000-II does not have any other relationship with our Group or any connected persons of the Company.

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Coleman Family Trust is a family trust in which J. Robert Coleman, Jr. and Diane Sanders Coleman are the trustees. Coleman Family Trust holds certain listed equity investments on the New York Stock Exchange, which include index funds and certain technology companies. Scott H. Coleman and Meredith Cranston, our Pre-IPO Investors, are the children of J. Robert Coleman, Jr. and Diane Sanders Coleman. Save for the Pre-IPO Investments, its beneficiaries do not have any other relationship with our Group or any connected persons of the Company.

#### **4. Public Float**

Upon the completion of the Global Offering, the Shares held by the Pre-IPO Investors (i.e., all Pre-IPO Investors excluding PCCW e-Ventures Limited, Lui Pak Shing Michael and shares held by each of Mr. Lau and Ms. Chu) will count towards part of the public float.

#### **5. Compliance with Interim Guidance and Guidance Letters**

The Sole Sponsor confirms that the investments by the Pre-IPO Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

#### **6. Voluntary Lock-up**

Notwithstanding that it is not required by the Listing Rules:

- (i) each of PCCW e-Ventures Limited, Lui Pak Shing Michael, Pacven Walden Ventures IV, L.P. and WIIG-Nikko IT LLC voluntarily entered into a contractual lock-up undertaking in favor of the Company, the Sole Sponsor and the Underwriters not to dispose its/his Shares during the first six months from the date of Listing; and
- (ii) certain members of senior management voluntarily entered into a contractual lock-up undertaking in favor of the Company, the Sole Sponsor and the Underwriters not to dispose of certain of his/her Shares during the first two months from the date of Listing.

(together, the “**Voluntary Lock-up Arrangements**”).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The Shares held by PCCW e-Ventures Limited, Lui Pak Shing Michael, Pacven Walden Ventures IV, L.P. and WIIG-Nikko IT LLC that are subject to the Voluntary Lock-up Arrangements represent approximately 31.55% and 28.39% of the issued share capital of the Company immediately before and after the completion of the Global Offering, respectively (on the basis that all the Preferred Shares of the Company are converted into our Shares according to their respective conversion ratios and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

The Shares held by certain members of senior management that are subject to the Voluntary Lock-up Arrangements represent approximately 2.20% and 1.98% of the issued share capital of the Company immediately before and after the completion of the Global Offering, respectively (on the basis that all the Preferred Shares of the Company are converted into our Shares according to their respective conversion ratios and assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

### PRE-IPO SHARE OPTION SCHEMES

Our Company adopted a Pre-IPO Share Option Scheme on 2 June 2005 (amended and restated on 24 June 2010 and 28 June 2018) (the “**2005 Pre-IPO Share Option Scheme**”) under which the Pre-IPO Options to subscribe for our Shares were granted to employees, directors, advisors and consultants of our Group. The 2005 Pre-IPO Share Option Scheme was expired in 2015. The terms of the 2005 Pre-IPO Share Option Scheme allow the options to have a maximum exercise period (i.e. the Option Term) of ten (10) years from the date of grant of the respective options. It is further provided in the terms that all outstanding options granted prior to the expiration of the scheme would remain effective, and the expiration of the 2005 Pre-IPO Share Option Scheme would not result in the termination of any options already granted. Therefore, so long as the underlying options were granted before the expiration of the scheme, such options would remain exercisable for ten (10) years from the grant date. For more details of the 2005 Pre-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

Our Company adopted a second Pre-IPO Share Option Scheme on 30 June 2016 (amended and restated on 28 June 2018 and 30 June 2020) (the “**2016 Pre-IPO Share Option Scheme**”) under which the Pre-IPO Options to subscribe for our Shares were granted to employees and directors of our Group. For more details of the 2016 Pre-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

### POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme under which options to subscribe for our Shares were granted to certain Directors, senior management members and employees of our Group. For more details of the Post-IPO Share Option Scheme, see the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

### OUR MISSION

Our mission is to become the “go-to” E-commerce gateway that bridges Asian products with customers worldwide.

### OVERVIEW

Established in 1997, we are an online retailer headquartered in Hong Kong which engages in the procurement and sale of third-party branded and unbranded Asian fashion & lifestyle, beauty and entertainment products to customers around the world.

Since the launch of our first E-commerce B2C platform, *www.YesAsia.com*  (formerly known as *AsiaCD.com*) (“**YesAsia**”) in April 1998, we have been engaging in the E-commerce retail sales of entertainment products. To adapt to changes in the industry and customers’ demand, we launched *www.YesStyle.com*  (“**YesStyle**”) in July 2006, an E-commerce B2C platform catering for the increasing popularity of Asian fashion & lifestyle products, and particularly Korean beauty products in recent years.

In August 2017, we launched *www.AsianBeautyWholesale.com*  (“**AsianBeauty Wholesale**”), which focuses on customers’ purchase needs for business purposes. We have also been engaged in the offline B2B sales of entertainment products, mainly targeting local entertainment retailers in Japan since February 2002. We have built product and information platforms for Asian culture, fashion and beauty lovers around the world. For the year ended 31 December 2020, we enjoy a total average MAU of approximately 5.9 million from our E-commerce platforms and approximately 1.4 million<sup>(i)</sup> E-commerce customers. Through our extensive product offerings, targeted marketing initiatives and superior customer service, we have established a growing community where consumer feedback and product information can be constantly exchanged between our customers and suppliers. Being an E-commerce gateway and established entertainment product channel, we maintain a diversified customer base in the US, the UK, France, Australia and Canada, and focus on expanding globally to new geographic markets. For the year ended 31 December 2020, revenue generated from the US, the UK, France, Australia and Canada accounted for 41.9%, 8.5%, 8.3%, 7.0% and 6.3% of our total revenue, respectively, while numbers of customers from these countries accounted for 47.2%, 9.7%, 8.0%, 7.2% and 5.7% of the total number of customers, respectively, for the same year.

During the Track Record Period, we demonstrated robust revenue and gross profit growths. Being our key revenue driver, for the three years ended 31 December 2020, revenues generated from *YesStyle* were approximately US\$71.4 million, US\$99.8 million, and US\$157.0 million, which accounted for 83.6%, 84.9%, and 90.6% of our total revenues, respectively. Our total revenues from all sales channels for the three years ended

*Note:*

- (i) A person is considered as a customer on our E-commerce platforms of a certain date if the first invoice of his/her/its order has been issued within the reporting period. A person who made his/her/its purchases on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform and any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers.

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31 December 2020 were US\$85.4 million, US\$117.6 million and US\$173.3 million, respectively, registering a CAGR of 42.5%. Our total revenue from all sales channels for the year ended 31 December 2019 was approximately US\$117.6 million, which increased by approximately 47.4% to approximately US\$173.3 million for 2020. Our gross profits for the three years ended 31 December 2020 were approximately US\$29.1 million, US\$37.6 million and US\$61.9 million, registering a CAGR of 45.8%. Our gross profit for the year ended 31 December 2019 was approximately US\$37.6 million, which increased by 64.6% to US\$61.9 million for 2020.

We employ a comprehensive digital marketing strategy that combines various media tools to maximize our exposure to the targeted consumers. In addition to social media marketing, performance marketing and retention marketing, we have also adopted influencer marketing initiatives which capitalize on the broad follower base of influencers and KOLs to enhance our exposure and strengthen customer interactions. We launched our KOL initiative in January 2018, and subsequently our award-winning *YesStyle Influencer Program* in February 2019, which assist *YesStyle* to reach a broader worldwide audience. As at the Latest Practicable Date, more than 150,000 KOLs and influencers from around the world have joined our influencer marketing initiatives, providing us with a broad follower base of millions of users. Revenues generated from our influencer marketing initiatives accounted for 1.2%, 7.9% and 17.4% of the total revenue of *YesStyle* for the three years ended 31 December 2020, respectively. Our *YesStyle Influencer Program* received the “Technology Excellence Award” in September 2020, granted by Hong Kong Business magazine. For more details on our influencer marketing initiatives, please refer to “Marketing — Influencer marketing” in this section.

Our business processes, from supplier selection and procurement to sales and marketing, are highly integrated and responsive to customer needs. We have established our in-house procurement, content creation, IT and fulfillment competencies to provide tailored support that caters to market dynamics efficiently and economically. In particular, we have built local product teams in South Korea, Japan and Hong Kong to source suppliers and products that resonate well with our customers. Our in-house content team creates rich and diverse content through our blog, newsletters and social media accounts, which distills styles and trends and guides our customers along their shopping journey from discovery to purchase. As a technology driven company, our in-house IT team has relentlessly pursued the development of IT technologies and infrastructures to improve our operational efficiency as well as customer experience. Headquartered in Hong Kong, a global logistics hub, we are able to maintain the efficiency of our warehousing, fulfillment and delivery functions at a high level.

According to the F&S Report, outbreak of COVID-19 has reshaped consumers purchase patterns and facilitated a faster growth in E-commerce B2C sales. We have demonstrated a robust growth riding on such E-commerce popularity. For the year ended 31 December 2020, the number of new customers of our E-commerce platforms were 996,669, which increased by 55.9% as compared to 2019, while the average order size of our E-commerce platforms registered an increase of 18.5% as compared to 2019. During the year ended 31 December 2020, we have applied and received (i) a one-off government subsidy of approximately US\$3.1 million, being the wage subsidy under the Employment

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Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, and (ii) a one-off subsidy grant of approximately US\$18,000 provided by the Japanese Government in light of the outbreak of COVID-19. Save for the one-off government subsidies obtained during the year ended 31 December 2020 and the government subsidy of approximately US\$4,000 granted by the Japanese government during the first quarter of 2021 for purchasing equipment for work-from-home arrangement of our Japan office, no other COVID-19 related subsidy has been applied for or received during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that we do not expect to receive further COVID-19 related government subsidy going forward.

The following table sets forth certain of our key operating data including (i) total average MAU, (ii) number of total E-commerce customers, (iii) average order size, (iv) average order amount per customer, (v) number of monthly customers, (vi) acquisition cost per new customer, and (vii) Conversion Rate of our E-commerce platforms during the Track Record Period:

<u>E-commerce platforms</u>	<u>Year ended 31 December</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total average MAU <sup>(1)</sup> (million)	2.9	3.9	5.9
Number of total E-commerce customers <sup>(2)</sup>	677,828	936,611	1,388,281
Average order size <sup>(3)</sup> (US\$)	63.5	61.4	72.8
Average order amount per customer (US\$) <sup>(4)</sup>	119.6	117.9	119.8
Number of monthly customers <sup>(5)</sup>	56,485	78,050	155,690
Acquisition cost per new customer <sup>(6)</sup> (US\$)	7.5	7.9	7.1
Conversion Rate <sup>(7)</sup> (%)	1.7	1.7	1.4

*Notes:*

- (1) Total average MAU across all E-commerce platforms of the Group.
- (2) A person is considered as a customer on our E-commerce platform of a certain date if the first invoice of his/her/its order has been issued within the reporting period. A person who made his/her/its purchases on different E-commerce platforms is accounted as a separate E-commerce customer of each E-commerce platform and any anonymous person can register multiple accounts on each of the E-commerce platforms and be counted as multiple E-commerce customers.
- (3) Average order size equals total order amount divided by number of orders (excluding canceled orders). Total order amount represents purchase amount paid by our customers for the value of products purchased, and before indirect tax payment, effects on foreign exchange, post-sale order refund and adjustments, and other accounting adjustments.

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- (4) Average order amount per customer equals total order amount divided by number of total E-commerce customers.
- (5) Number of total customers of our E-commerce platforms during the year divided by number of month of the year.
- (6) Marketing and promotion fees per new customer across all E-commerce platforms of the Group. A new customer is a customer if the first invoice of his/her/its first ever order has been issued within the reporting period. A guest visitor who made his/her purchase during different reporting period without specific customer identification data are accounted as a new customer for each of the reporting period. As advised by our Industry Consultant, the calculation adopted by us in measuring our acquisition cost per new customer is in line with the industry practice.

Our acquisition cost per customer remains relatively stable during the Track Record Period.

- (7) The number of visitors used in the calculation of Conversion Rate is based on Google Analytics.

### OUR STRENGTHS

Our business model and networks enable us to stay at the forefront of the market trends to source and provide our customers with quality product selections. Being our key revenue driver, our E-commerce B2C fashion & lifestyle and beauty platform *YesStyle* has been and will continue to be our main business focus. We believe the following strengths of our *YesStyle* as well as other platforms create a unique position for us to succeed in the cross border E-commerce B2B and B2C industries:

#### **Established E-commerce platform with global reach**

We have developed proven E-commerce platforms operated by a team that has, since 1998, accumulated over 20 years of experience in operating E-commerce business, as well as cultivating regional and global online markets for Asian products. We have fostered an extensive global customer base covering North America, Europe, Australia and Asia. Our websites are available in multiple languages. For example, our *YesStyle.com* is available in six languages, including English, French, German, Spanish, Japanese and Chinese. As at 31 December 2020, we have served approximately 1.9 million, 0.4 million, 0.2 million, 0.3 million and 0.3 million accumulated customers in our major markets, namely the US, the UK, France, Australia, Canada, respectively, and approximately 1.1 million accumulated customers in other countries and regions. We recognize the increasing demand for products we provide in various geographical markets. By launching websites in new languages, we strive to engage more customers by helping them to overcome language barriers and participate in global online shopping of Asian goods.

Our E-commerce business model has been proven adaptable to not only different geographic markets, but also to new distribution platforms. For example, by leveraging the experience and resources we have accumulated during the operation of *YesAsia*, we launched *YesStyle* in 2006 to expand our sales into Asian fashion & lifestyle and beauty products, particularly Korean beauty products. Capitalizing on the development of our international supply chain for Asian fashion & lifestyle and beauty products, we have been able to further diversify our business and open up new revenue sources through the launch

of our *AsianBeautyWholesale* website in 2017, catering to customers' purchase needs for business purposes. Meanwhile, our business model is continuously optimized using new intelligence and experience gathered through the operation of our new platforms.

We started our operations in the US back in 1998 and relocated our headquarters to Hong Kong in 2005. Conducting business in Hong Kong provides us with convenience and cost efficiency for various business functions in the Asian market, including product procurement, warehouse operations, software development, marketing operations, and customer service. As Hong Kong is a global international logistics hub, it allows us to operate our warehousing, fulfillment and delivery functions more efficiently and economically.

### **Loyal and engaged customer base drives virtuous cycle in our business ecosystem**

Our customer-centric business model requires us to maintain close interactions with our customers to identify and respond to their needs as well as the latest market trends. We have fostered an active customer community by encouraging our customers to rate and review products, and interact with one another on our websites, mobile app and social media platforms. We keep abreast of our customers' reviews and followers' comments on social media platforms, and utilize them to respond to customer and market needs that were previously unaddressed. Through providing feedback, our customers participate in our new product selection, which has become part of the integrated consumer experience. At the same time, such consumer and social media follower interactions drive product and service optimization, thereby achieving a virtuous cycle in our business and propelling our future growth. Once registered at our platforms, our customers can enjoy access to comprehensive services and benefits such as newsletters, notifications, and various promotional shopping discounts and offers, including our loyalty programs, the *YesStyle Elite Club*. As at the Latest Practicable Date, we have attracted over 3.7 million social media followers and released over 2.8 million customer product reviews across our platforms. Customers can also send their questions, concerns or other feedback to our customer service team, or even directly to our CEO, and will normally receive a reply within two business days.

We engage our customers by providing superior customer service to improve their overall shopping experience. In view of our large transaction volume, we are able to provide our customers with comprehensive after-sales services, including free delivery at a relatively low minimum spending threshold and customer-friendly return and exchange policies. Our customer ratings consistently remain at a high level. As at the Latest Practicable Date, we have accumulated around 98,000 reviews on third-party review websites, being *Facebook*, *Trustpilot*, *ResellerRatings*, and *ProductReview.com.au*, with an average rating of 9.3 out of 10. Moreover, we only registered an overall product return rate of approximately 1.05% across our E-commerce platforms in 2019, which is significantly lower than the industry average, ranging from 5% to 20% in 2019 as according to the F&S report.

We strive to continuously improve the consistency of our customers' shopping experience and to adapt to their needs in real-time. In May 2020, we completed a new personalization initiative of our *YesStyle* mobile app. By implementing smart widgets such

as “similar items”, “featured brands” and “recommended for you” on home and product screens, we are able to dynamically provide personalized shopping experience at different steps of our customers’ shopping journey.

Through our well-established membership loyalty program, we cultivate customer loyalty and encourage our customers to make repeat purchases. For *YesStyle*, we operate the *YesStyle Elite Club* as our loyalty program, which provides customers with varying levels of rewards and benefits to stimulate interest and provide an incentive for customers to remain engaged. As at 31 December 2020, our *YesStyle Elite Club* enjoys the companionship of approximately 4.1 million members. For the three years ended 31 December 2020, revenues generated from Repeat Customers accounted for approximately 67.0%, 69.0% and 61.7% of the total revenue of our E-commerce platforms, respectively.

### **Proven global E-commerce sales channel for Asian product suppliers**

We are able to dynamically source products to stay current with evolving market trends. As at the Latest Practicable Date, we have more than 7.1 million SKUs on our E-commerce platforms, including more than 5.2 million SKUs on *YesStyle*. We have accumulated abundant experience and local resources during our operational history, including long-term and in-depth collaboration with our key suppliers, as well as other suppliers of the major products we offer, to establish an extensive product supply network. We have established local product teams in South Korea, Japan and Hong Kong to source products and maintain supplier relationships, which enables us to gather first-hand market intelligence and capture potential growth opportunities. Due to our large-scale and far-reaching customer base, we are able to source certain products from suppliers at a favorable price and, sometimes, with additional benefits such as the provision of sponsored products for our influencer marketing initiatives.

As a brand-neutral E-commerce platform, we enjoy the freedom to source products from an extensive gallery of brands and suppliers. Our business model is attractive to popular brands and their distributors, particularly new and emerging Korean beauty brands and suppliers seeking to promote and sell their products in the international market. Coupled with our innovative marketing approach and strong social media presence, we are able to offer a one-stop service for these brands and suppliers, from free brand promotion and product marketing, to customer generated content and relevant data analysis. It also enables us to control the risk of supplier disintermediation. Apart from receiving a variety of free product samples from the suppliers from time to time for brand and product promotions, we do not receive any compensation, monetary or otherwise, from such arrangement.

There has been a rise in awareness of Korean beauty products among online-customers across the world. According to the F&S report, the global online Korean beauty products market size increased from US\$3,267.6 million in 2015 to US\$13,526.3 million in 2020, registering a CAGR of approximately 32.9%. As we continue to augment the number of our suppliers, we have increasingly refined the selection criteria of brands and products to cater to ever-changing market demands while maintaining the quality of the products we provide. We have established a strong track record of collaborating with Korean beauty brands and

their suppliers since 2015. As at 31 December 2020, we have accumulated business relationships with 309 Korean beauty suppliers with an extensive coverage of 524 Korean beauty brands. See “Major Suppliers” in this section for more details.

**Innovative and effective marketing strategy to support customer retention and long-term ecosystem development**

We employ a comprehensive digital marketing strategy that combines various media tools to maximize our exposure to the targeted consumers. In addition to traditional marketing initiatives such as affiliate marketing, search engine optimization, memberships and friend referral programs, we make use of our integrated blog and newsletter functions, as well as an array of mainstream social media platforms, including *Instagram*, *Facebook*, *Pinterest*, *Twitter*, and *YouTube*, to ensure continuous and comprehensive customer exposure. In particular, we have established a social media outreach division under the marketing team to promote our brand and presence across social media platforms such as *Instagram*, *Facebook*, *Twitter* and *Pinterest*. The division specializes in the creation of engaging daily content which showcasing the products and promotions available on our E-commerce platforms, including but not limited to posts, stories and short videos. Our social media content allows us to interact with our customers, and also benefits our brand partners by offering them exposure to our global follower base. The division also hosts occasional giveaways on our platforms to increase the virality of our content and help us reach more potential customers. For the year ended 31 December 2020, total average MAU across our E-commerce platforms were approximately 5.9 million.

Our content team creates rich and diverse content through newsletters and “*The YesStylist*” blog, which guide our customers along their shopping journey from discovery to purchase. Our content comprises an extensive portfolio of articles, photographs and short-form videos, covering topics including beauty, fashion, celebrity style and lifestyle. We also place product links on our blog, newsletters and social media accounts to encourage and facilitate purchases. At the same time, we collect comments and feedback left by visitors and customers to further enrich our content, and to provide our suppliers and brand partners with up-to-date market information. Our corresponding contents are currently offered in six major global languages, being English, French, German, Spanish, Japanese and Chinese, catering to the international audience. As at the Latest Practicable Date, we have attracted over 3.7 million social media followers and over 4.0 million newsletter subscribers for *YesStyle*.

We engage influencers and KOLs, which allows us to facilitate expansion beyond our existing channels, and to keep up with consumers’ rapidly changing social media footprint. The “*YesStyle Influencer Program*”, launched in February 2019, provides influencers who sign up for the program with extra discounts on orders and free products for review. Leveraging their interactions with followers, we are able to generate additional traffic to our platform. In the meantime, as influencers try out and evaluate products, they provide our suppliers and brand partners with a library of elaborated product reviews and user generated content. In September 2020, we received the “Technology Excellence Award” for our *YesStyle Influencer Program* awarded by Hong Kong Business magazine.

**Seasoned management team and diverse corporate culture**

Our management team is led by our founders Mr. Lau and Ms. Chu, both of whom have been among the pioneers in the E-commerce retail industry since 1998. In 2017, Mr. Lau received the Asia Pacific Entrepreneurship Award in the E-Commerce Industry. Serving customers across the world, their clear vision, focus, and commitment have been instrumental to our strategic management planning, which have been driving our business and fostered our development since the inception of our Group.

Our management team has diverse yet complementary backgrounds. Their extensive experience in different segments of the E-commerce industry, as well as their well-established relationships with suppliers and marketing know-how give us the knowledge and understanding of both consumers' and brand partners' needs and preferences. We believe that our management team's collective experience and strong execution capabilities will enable us to sustain significant growth when facing future global E-commerce opportunities.

We have also developed a strong mid-level management team in charge of various business functions. Our management has nurtured a customer-centric corporate culture emphasizing respect, dignity, teamwork, innovation, and high-quality work. These values, coupled with people development programs and incentive plans, have greatly attracted and motivated our employees. Many of our employees have a long employment history with the Group. As at 31 December 2020, the average length of employment of our senior management, together with our mid-level employees (of assistant manager rank or above) is above 11 years. As an E-commerce platform headquartered in Hong Kong, our employees come from 12 different countries and regions, including Hong Kong SAR, South Korea, Japan, the US, Australia, the UK, Canada, the PRC (excluding Hong Kong SAR), France, Germany, Republic of Guatemala, and Philippines, providing us with unique local intelligence.

By combining our management's capability in implementing growth strategies and our in-depth knowledge of the E-commerce industry, our management team is confident that our Group is poised to capture potential market opportunities in the fast-growing global E-commerce business. For biographical details of our Directors and senior management, see "Directors and Senior Management" in this prospectus.

**OUR STRATEGIES**

We formulate and develop strategies to best serve our business and customers needs. Going forward, we strive to focus on further enhancing the loyalty of our customers, as well as increasing our presence in our major markets, especially the European market.

**Reinforce our marketing strategies to boost our customer base and enhance customer loyalty**

We strive to further penetrate our existing markets and expand into new markets by reinforcing our marketing initiatives to attract new customers. We have retention-focused marketing initiatives including our loyalty program, friend rewards, regular discounts and coupons to keep existing customers involved in our community. For new customers, we

currently utilize various marketing strategies to support our customer acquisition metrics, including influencer marketing, social media marketing and performance marketing. For the year ended 31 December 2020, we have an average of more than 83,000 monthly new customers across our E-commerce platforms, with the acquisition cost per new customer being US\$7.1 for the same year.

Going forward, we will explore new opportunities on emerging social media platforms such as live streaming and short-form video platforms that cater to millennials and Gen-Z. We also plan to further scale up our *YesStyle Influencer Program*, and to explore additional cooperation models with KOLs, such as sponsoring customized and localized promotional videos, to further utilize their potential to lead the market trends and influence customer purchasing decisions. To better facilitate our plan to expand in Europe, we will also seek more cooperations with influencers and KOLs located in European countries to help us to land more local customers.

We intend to implement a CRM system to increase the lifetime value of acquired customers. The CRM system will help us to segment our customer groups to facilitate communication, utilize their data, and run relevant campaigns more effectively, thereby increasing our overall Conversion Rate and revenue. The CRM system will also help us to run our loyalty program more efficiently, as well as to design dedicated campaigns for loyal customers based on transactional and behavioral data. By leveraging our growing customer base, the CRM system will also enable us to create a Single Customer View, which gathers and merges the data about our customers into one single record and allows us to better improve our customer service and further enhance the relationships with our customers.

In addition, we plan to improve our personalization features by offering more tailored information such as promotion messages, categories and recommenders. We will further extend the personalization initiative to our CRM system, and will supplement personalized elements to our notifications, e-mail marketing and other communication channels.

### **Increase our global penetration to build stronger brand awareness**

We strive to become the “go-to” gateway for Asian culture, fashion and beauty lovers. With the increasing demand for products in various geographic markets, we plan to further increase the market share in our major markets, as well as other countries in Europe. We are committed to engaging customers by helping them to overcome language barriers and participate in global online shopping of Asian goods. We will particularly seek to engage those customers from geographic regions where cross-border E-commerce B2C business are underrepresented. We introduced the French version of *YesStyle* website in 2018, and subsequently introduced our German and Spanish versions of *YesStyle* websites in 2019. For the year ended 31 December 2020, the UK, France and Germany ranked second, third and sixth, respectively, among our major E-commerce markets in terms of revenue. The revenue generated from major EU countries, including France, Germany, Spain, Italy, the Netherlands and Sweden was US\$33.0 million from *YesStyle* for the same year, as compared to US\$19.5 million for 2019. Going forward, we will provide even broader access to and brand recognition for *YesStyle.com*, *YesAsia.com*, and *AsianBeautyWholesale.com* by offering additional languages on our websites, mobile apps, and social media platforms.

Given our diverse and fast-growing customer base, coupled with the rising awareness and demand for Korean beauty products around the globe, we aim to cultivate a focus on Asian goods and will place our emphasis on Korean beauty products. Instead of only targeting Asian consumers living abroad, we strive to promote and stir awareness of the benefits and uniqueness of Asian products towards consumers of different ethnicities and nationalities all over the world.

### **Deepen our positioning as a Korean beauty product gateway**

According to the F&S Report, the global online Korean beauty product market was valued at US\$13,526.3 million in 2020 and is projected to reach US\$42,645.2 million by 2025, registering a CAGR of approximately 25.8%. A rise in awareness of the benefits and uniqueness of Korean beauty products among consumers across the globe creates opportunities for expansion among Korean beauty product industry players. For the three years ended 31 December 2020, revenues generated from Korean beauty products we offer on *YesStyle* and *AsianBeautyWholesale* were US\$27.3 million, US\$42.9 million and US\$68.4 million, respectively, which accounted for 37.5%, 41.8% and 41.9% of our total revenue from the two platforms, respectively. As at 31 December 2020, we have accumulated business relationships with 309 Korean beauty suppliers with an extensive coverage of 524 Korean beauty brands.

Going forward, we strive to strengthen *YesStyle* and *AsianBeautyWholesale*'s position as the "go-to" gateway for Korean beauty brands to the international market. According to the F&S Report, the Korean beauty industry is demand driven. Leveraging our industry intelligence and insight, we will continue to enhance our marketing initiatives, particularly influencer marketing and social media marketing, to further penetrate the market and to drive demand, thereby increasing the traffic to our E-commerce platforms. We will put additional effort into engaging existing and new influencers and KOLs to create content related to Korean skincare and makeup products. This content includes social media videos featuring Korean skin care product reviews and Korean makeup tutorials. Furthermore, we plan to recruit a beauty marketing executive who has vivid background and expertise in the beauty industry to help create high-quality skincare and makeup content of our Korean beauty products for both sales and marketing purposes. By positioning ourselves as the gateway for Korean beauty products, we believe that it will be easier for us to attract Korean beauty suppliers and brands to collaborate with us so as to further increase our market share. In 2021, we plan to enter into collaborations with around 30 new Korean beauty brands.

We have also established a business development subdivision under our Korean product team. This new team strengthens the capability of our Korean product team to source new suppliers, as well as to maintain good relationships and to collect feedback from existing and new suppliers. These business development personnel are well versed in Korean and understand the local South Korean market. Going forward, we plan to further expand our Korean product team, as well as its business development subdivision by recruiting more employees.

**Enhance our customer experience through further investment in IT systems and in-house-produced original content**

We believe that having an advanced technology platform is essential to further improving our customer experience. To that end, we intend to offer a more personalized and interactive shopping experience. We will source and implement more advanced marketing tools such as a CRM system to better segregate our customer groups, connect transactional and behavioral data, design targeted marketing campaigns, and facilitate personalized communication.

We will further develop our technology stack, including migrating our technology to cloud data centers for upgraded speed, reliability and cost-effectiveness, and to keep up with the anticipated surge in online real-time traffic and orders arising from the development of our websites and mobile app. We also plan to further strengthen our cyber security measures, including the implementation or enhancement of IDS, DDoS protection, WAF, and load balancing.

We will continue to update the features of our websites and mobile app to enhance customer experience and our professional brand image. For example, we plan to enhance our API integration with in-house and third-party applications for improved personalization, marketing, social media and fraud detection functionalities, among others. We will also upgrade our search engine hardware and software to support scalable search enquiries in multiple languages with improved speed, relevancy and accuracy. We plan to establish customer beauty profiles and data analytics features to tap into the increasing market demand for individual customization and a wider variety of products. For our *YesStyle* mobile app, we will further expand its functionality to incorporate additional features such as searching products through uploading images, and location-based personalizations.

Going forward, we will further support product offerings on our E-commerce platforms using a number of IT solutions, developed in-house or by third-party service providers. We plan to use AI product tagging to organize the products selection more efficiently for our customers. We will also implement a machine learning system to automate the creation of product data during the product launch process. To accomplish all these IT changes and improvements, we will hire additional IT programmers and analysts and offer staff training in the most up-to-date E-commerce technology.

In addition, we plan on recruiting more editors, translators, and digital content and video production personnel to support product promotions on our websites and mobile app. Content featured on our websites, mobile app and “*The YesStylist*” blog and social media accounts will be further increased and improved, with more content focused on Korean brands, as well as other beauty and fashion & lifestyle products. Targeted areas for strengthening include photo and video editing, language translation and website design, among others, and will be further supported by third-party development tools and increased A/B testing to achieve greater conversion.

**Optimize and expand our logistics network and infrastructure**

We plan to continue to improve our logistics processes, infrastructure, and network by refining our existing algorithms and adopting new technologies to dynamically optimize our fulfilment and inventory management capabilities. In particular, we plan to upgrade our warehouses in Hong Kong to increase our product availability as well as fulfilment speed and accuracy, thereby improving the overall efficiency of our supply chain. We also plan to implement voice picking technology to better improve our order processing efficiency, as well as to install improved storage racks for more streamlined inventory management.

In addition, we aim to improve our delivery services by working more closely with our logistics partners, reducing shipping time and costs, and enhancing order tracking for our overseas customers. To increase our daily order fulfilment capacity, we will expand our workforce by hiring additional numbers of full-time and part-time logistics workers, ensuring that customer demand is met during the peak season and beyond.

**OUR REVENUE MODEL**

We are engaged in the procurement and sale of Asian fashion & lifestyle, beauty and entertainment products to global customers. We primarily sell the products through our online platforms, complemented by a portion of sales of entertainment products through our offline B2B sales channel.

Our principal business activities can be divided into two business segments: (i) sales of fashion & lifestyle and beauty products on our *YesStyle* and *AsianBeautyWholesale* platforms; and (ii) sales of entertainment products on our *YesAsia* platform and through our offline B2B sales channel.

The following table sets forth our business segments during the Track Record Period:

### Fashion & Lifestyle and Beauty Products

#### YESSTYLE

(YesStyle.com and YesStyle mobile app)



**Product Portfolio**

Beauty, clothing, accessories, grooming, footwear, bag, home and lifestyle products

**Customers**

Global retail customers (B2C)

#### abw

(AsianBeautyWholesale.com)



**Product Portfolio**

An extensive selection of beauty products offered on YesStyle, including body care, face care, hand and nail care, makeup and cosmetics, beauty tools and accessories, hair and scalp care, bath and shower essentials, oral care, personal hygiene and sun care

**Customers**

Global business customers (B2B)

### Entertainment Products

#### yesasia.com\*

(YesAsia.com)



**Product Portfolio**

Music CDs and movies, comics, magazines, video games, consoles, books, electronic goods, posters, photo sets, anime goods, collectibles and calendars

**Customers**

Global retail customers (B2C)

#### Offline B2B Sales Channel



**Product Portfolio**

Music CDs, DVDs and Blue-rays

**Customers**

Entertainment retailers in Japan (B2B)

## BUSINESS

The following table sets forth the breakdown of revenue by our business segments during the Track Record Period:

	Years ended 31 December					
	2018		2019		2020	
	<i>US\$000</i>	%	<i>US\$000</i>	%	<i>US\$000</i>	%
<b>Fashion &amp; Lifestyle and Beauty</b>						
<b>Products</b>	<b>72,732</b>	<b>85.2</b>	<b>102,838</b>	<b>87.5</b>	<b>163,195</b>	<b>94.2</b>
<i>YesStyle</i>	71,350	83.6	99,830	84.9	157,004	90.6
<i>AsianBeautyWholesale</i>	1,382	1.6	3,008	2.6	6,191	3.6
<b>Entertainment Products</b>	<b>12,632</b>	<b>14.8</b>	<b>14,751</b>	<b>12.5</b>	<b>10,124</b>	<b>5.8</b>
<i>YesAsia</i>	7,599	8.9	5,709	4.8	5,231	3.0
Offline B2B sales channel	5,033	5.9	9,042	7.7	4,893	2.8
<b>Total</b>	<b>85,364</b>	<b>100.0</b>	<b>117,589</b>	<b>100.0</b>	<b>173,319</b>	<b>100.0</b>

As a key revenue contributor, our fashion & lifestyle and beauty products segment has experienced significant growth during the Track Record Period. For the two years ended 31 December 2020, revenues derived from our fashion & lifestyle and beauty products segment grew by approximately 41.4% and 58.7%, respectively, as compared to the previous year. Revenues derived from our entertainment products segment increased by approximately 16.8% for the year ended 31 December 2019, and decreased by approximately 31.4% for the year ended 31 December 2020, respectively, as compared to the previous year.

### OUR PRODUCT OFFERINGS

We provide third-party branded and unbranded products categorized under three categories, namely: (i) fashion & lifestyle, (ii) beauty, and (iii) entertainment products to customers around the world.

The following table sets forth the breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$000</i>	%	<i>US\$000</i>	%	<i>US\$000</i>	%
<b>Fashion &amp; lifestyle products</b>	<b>39,482</b>	<b>46.2</b>	<b>51,893</b>	<b>44.1</b>	<b>84,192</b>	<b>48.6</b>
— PRC fashion & lifestyle products	35,119	41.1	48,120	40.9	79,728	46.0
— Korean fashion & lifestyle products	4,068	4.8	3,522	3.0	3,479	2.0
— Others <sup>(1)</sup>	295	0.3	251	0.2	985	0.6
<b>Beauty products</b>	<b>33,250</b>	<b>39.0</b>	<b>50,945</b>	<b>43.4</b>	<b>79,003</b>	<b>45.6</b>
— Korean beauty products	27,289	32.0	42,955	36.6	68,370	39.5
— Others <sup>(2)</sup>	5,961	7.0	7,990	6.8	10,633	6.1
<b>Entertainment products</b>	<b>12,632</b>	<b>14.8</b>	<b>14,751</b>	<b>12.5</b>	<b>10,124</b>	<b>5.8</b>
— Korean entertainment products	8,833	10.3	11,578	9.8	7,017	4.0
— Others <sup>(3)</sup>	3,799	4.5	3,173	2.7	3,107	1.8
<b>Total</b>	<b>85,364</b>	<b>100.0</b>	<b>117,589</b>	<b>100.0</b>	<b>173,319</b>	<b>100.0</b>

*Note:*

- (1) Others represented products that were sourced from Taiwan, Japan and Hong Kong.
- (2) Others represented products that were sourced from countries/regions other than South Korea, mainly from Japan, Hong Kong and the United States.
- (3) Others represented products that were sourced from countries/regions other than South Korea, mainly from Japan and Hong Kong.

Our fashion & lifestyle products and entertainment products do not typically have an expiry date or specific product life cycle. For beauty products with expiry dates, their shelf life generally ranges from two to three years upon manufacturing date. During the Track Record Period, there is no material fluctuation in the product mix we offered.

The following table summarizes our principal products during the Track Record Period:



## BUSINESS

The following table sets forth the (i) price range, (ii) average selling price, (iii) number of units sold, and (iv) percentage of total order amount of our principal products sold during the Track Record Period:

Product Categories <sup>(1)</sup>	Year ended December 31											
	2018				2019				2020			
	Price range	Average Selling Price <sup>(2)</sup>	Number of units sold	Percentage of total order amount	Price range	Average Selling Price <sup>(2)</sup>	Number of units sold	Percentage of total order amount	Price range	Average Selling Price <sup>(2)</sup>	Number of units sold	Percentage of total order amount
		US\$	US\$			%	US\$	US\$			%	US\$
<b>Fashion &amp; lifestyle products</b>												
Tops	0.98–240.29	12.54	1,009,033	14.7	0.99–153.90	11.64	1,402,246	13.6	1.00–188.57	12.30	2,139,402	15.4
Coats & Jackets	1.30–753.73	27.45	157,433	5.0	0.98–396.81	24.20	227,938	4.6	0.54–449.89	20.20	503,899	5.9
Dresses	1.43–560.72	19.94	222,646	5.1	1.81–498.11	18.80	278,621	4.4	2.05–504.37	18.26	276,359	2.9
Others <sup>(3)</sup>	0.86–733.43	8.65	2,130,932	21.3	0.52–279.20	7.76	3,302,178	21.3	0.51–395.00	9.34	4,437,474	24.2
		11.32	3,520,044	46.1		10.11	5,210,983	43.9		11.28	7,357,134	48.4
<b>Beauty products</b>												
Facial care	0.52–681.77	8.59	2,166,604	21.5	0.60–592.90	7.79	3,927,873	25.4	0.58–413.90	8.35	5,716,224	27.8
Makeup & Cosmetics	0.45–250.90	8.40	1,231,063	12.0	0.76–184.22	8.30	1,673,355	11.6	0.87–262.32	8.80	1,644,794	8.4
Sun Care	1.28–123.41	10.80	128,265	1.6	1.27–131.05	9.86	316,148	2.6	1.02–141.47	12.45	711,733	5.2
Others <sup>(4)</sup>	0.84–346.24	6.39	509,717	3.8	0.11–513.90	5.94	729,531	3.6	0.12–1,424.01	8.07	856,993	4.0
		8.32	4,035,649	38.9		7.81	6,646,907	43.2		8.73	8,929,744	45.4
<b>Entertainment products</b>												
Music	1.99–351.99	17.64	534,875	10.9	1.99–351.99	15.10	851,148	10.7	2.29–408.49	15.55	515,284	4.7
Others <sup>(5)</sup>	0.99–1,513.49	28.68	124,888	4.1	0.99–744.99	27.03	99,016	2.2	0.99–1,512.59	27.16	93,325	1.5
		19.73	659,763	15.0		16.34	950,164	12.9		17.33	608,609	6.2
		10.52	8,215,456	100.0		9.38	12,808,054	100.0		10.15	16,895,487	100.0

*Notes:*

- (1) As part of business operation, we undergo navigation revamp to reclassify products and product categories mapping with the objective to enhance customers' navigation for faster access of our offers and products. As a result, the same product item may be classified under different product categories during the Track Record Period.
- (2) Total order amount of the product category divided by total number of units sold under the category during the year.
- (3) Others refer to products such as pants, belts, and backpacks, which individually accounted for less than 10% of the total order amount during each of the Track Record Period.
- (4) Others refer to products such as beauty tools & accessories, hair care and body care, which individually accounted for less than 10% of the total order amount during each of the Track Record Period.
- (5) Others refer to products such as videos, photos & collectibles and books, which individually accounted for less than 10% of the total order amount during each of the Track Record Period.

**Fashion & lifestyle products*****Tops***

During the Track Record Period, the number of units sold under our tops increased by approximately 39.0% from 1.0 million for the year ended 31 December 2018 to 1.4 million for the year ended 31 December 2019, primarily due to four additional promotions for tops in 2019 as compared to 2018. It further increased by approximately 52.6% to 2.1 million for the year ended 31 December 2020, primarily due to the thriving trend on casual dressing during the COVID-19 pandemic. During the Track Record Period, the average selling price of tops remained stable.

***Coats and Jackets***

During the Track Record Period, the number of units sold under our coats and jacket increased by approximately 44.8% from 157,433 for the year ended 31 December 2018 to 227,938 for the year ended 31 December 2019, which further increased by approximately 121.1% to 503,899 for the year ended 31 December 2020, primarily due to the reduced average selling price of cardigans driving an increase in its sales. The average selling price of our coats and jackets decreased by approximately 11.8% from US\$27.45 for the year ended 31 December 2018 to US\$24.20 for the year ended 31 December 2019, which further decreased by approximately 16.5% to US\$20.2 for the year ended 31 December 2020, primarily due to an increase in the sales of cardigans, which had a relatively lower average selling price as compared to other products under the category.

***Dresses***

During the Track Record Period, the number of units sold and average selling price of dresses remained stable.

**Beauty products*****Facial care***

During the Track Record Period, the number of units sold under our facial care products increased by approximately 81.3% from 2.2 million for the year ended 31 December 2018 to 3.9 million for the year ended 31 December 2019, and further increased by approximately 45.5% to 5.7 million for the year ended 31 December 2020, primarily due to an increase in the sales of the facial care products of five Korean brands. During the Track Record Period, the average selling price of our facial care products remained stable.

***Makeup & Cosmetics***

During the Track Record Period, the number of units sold under our makeup & cosmetics products increased by approximately 35.9% from 1.2 million for the year ended 31 December 2018 to 1.7 million for the year ended 31 December 2019, primarily due to an increased popularity of Korean pop culture, driving the sales of Korean makeup and cosmetics products. The number of units sold remained stable for the year ended 31 December 2020. During the Track Record Period, the average selling price of our makeup & cosmetics products remained stable.

***Sun care***

During the Track Record Period, the number of units sold of our sun care products increased by approximately 146.5% from 128,265 for the year ended 31 December 2018 to 316,148 for the year ended 31 December 2019, which further increased by approximately 125.1% to 711,733 for the year ended 31 December 2020, primarily due to an increase in sales of the sun care products under particular Korean brands we offer. The average selling price of our sun care products remained stable for the year ended 31 December 2018 and 2019, and increased by approximately 26.2% to approximately US\$12.45 for the year ended 31 December 2020 primarily due to an increase in the average selling price of one of the major Korean brands we offer.

**Entertainment products*****Music***

During the Track Record Period, the number of units sold of our music products experienced a spike for the year ended 31 December 2019 primarily due to the increase in demand for music products published by a Korean idol group during the year. The average selling price of our music products decreased by approximately 14.4% from US\$17.64 for the year ended 31 December 2018 to US\$15.10 for the year ended 31 December 2019, primarily due to an increase in the offline B2B sales in 2019 with relatively lower average selling price. The average selling price remained stable for the year ended 31 December 2020.

**OUR BRAND POSITIONING**

Our *YesStyle* website and mobile app offer trendy and affordable fashion & lifestyle, as well as beauty products from across Asia to worldwide customers, particularly young females interested in Asian culture.

*AsianBeautyWholesale* offers Asian beauty products at wholesale prices to small-size business owners worldwide, capitalizing on the popularity of Asian beauty products and trends, especially the growing global footprint of Korean skincare products. *AsianBeautyWholesale* generally offers competitive pricing, low minimum purchase amount, no minimum order quantity requirement, as well as comprehensive Asian beauty brand selections.

## BUSINESS

*YesAsia* offers Asian entertainment products, including such as movies, TV series, animations, and music related blue rays, DVDs, CDs, books, and games, to global customers. Operating for more than two decades, *YesAsia* strives to provide a wide product selection from classic to trendy entertainment products to both Asian and international fans.

Our offline B2B sales channel offers entertainment products from across Asia to brick-and-mortar retailers in Japan, augmenting the local releases with wider selections. We provide retailers of all sizes, from big-box stores to independent specialty stores, an easy access to a wide spectrum of products with competitive pricing and flexible shipping options.

The fashion & lifestyle products and entertainment products we offer are generally not carried under specific brands. The following table sets forth the percentage of total order amount of our Group's branded and unbranded products sold during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Branded products	33,011	38.2	51,266	42.7	78,338	45.7
Unbranded products	53,431	61.8	68,905	57.3	93,144	54.3
<b>Total</b>	<b>86,442</b>	<b>100.0</b>	<b>120,171</b>	<b>100.0</b>	<b>171,482</b>	<b>100.0</b>

The following table sets forth the breakdown of the order amount of the top five major beauty product brands we sourced from brand owners and/or resellers, with their respective percentage of our total order amount for the Track Record Period:

	Platform	Product category	Total order amount <sup>(1)</sup>	Percentage of total order amount <sup>(2)</sup>
			<i>US\$000</i>	%
<b>For the year ended 31 December 2018</b>				
Brand A <sup>(3)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	2,833	3.3
Brand B <sup>(4)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	2,400	2.8
Brand C <sup>(5)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	1,395	1.6
Brand D <sup>(6)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	1,275	1.5
Brand E <sup>(7)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	1,240	1.4
<b>Total</b>			<b>9,143</b>	<b>10.6</b>

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	<u>Platform</u>	<u>Product category</u>	<u>Total order amount<sup>(1)</sup></u> <i>US\$000</i>	<u>Percentage of total order amount<sup>(2)</sup></u> %
<b>For the year ended 31 December 2019</b>				
Brand A	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	4,240	3.5
Brand B	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	3,269	2.7
Brand D	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	2,584	2.2
Brand E	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	2,438	2.0
Brand C	<i>YesStyle</i>	Korean beauty products	2,266	1.9
<b>Total</b>			<b>14,797</b>	<b>12.3</b>
<b>For the year ended 31 December 2020</b>				
Brand A	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	6,467	3.8
Brand F <sup>(8)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	6,170	3.6
Brand G <sup>(9)</sup>	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	3,709	2.2
Brand C	<i>YesStyle</i>	Korean beauty products	3,400	2.0
Brand B	<i>YesStyle, Asianbeautywholesale</i>	Korean beauty products	2,571	1.5
<b>Total</b>			<b>22,317</b>	<b>13.1</b>

*Notes:*

- (1) Total order amount represents purchase amount paid by our customers for the value of products purchased, and before indirect tax payment, effects on foreign exchange, post-sale order refund and adjustments, and other accounting adjustments. Our Directors believe that total order amount to be a more informative indication of the transaction behavior by our customers than revenue, where impact of factors including foreign exchange premium, provision for customer royalty program and one-off indirect tax impact are reflected.
- (2) Total order amount for a particular product brand divided by total order amount of the Group during the year.
- (3) Brand A is a South Korea based beauty and cosmetics brand which was launched in 2013. Its product portfolio includes mainly facial and skin care products.
- (4) Launched in 1985, Brand B is one of the first South Korea's first specialized make up brands. Created with young women in mind, the brand offers a wide color palette and whimsical packaging that attract attention from all around the world.
- (5) Brand C is a high-quality skin care brand based in South Korea. Established in 2010, the brand has built a strong identity by creating products that are simple yet effective for sensitive skin. Currently, the brand has expanded its distribution channels both online and office in over 70 countries around the world.
- (6) Brand D is a South Korea based naturalism-oriented cosmetics brand which was launched in 2002. Its product portfolio includes skin care, make up, body and hair, as well as perfume and fragrance. Headquartered in Seoul, it has stores in Asia, North America, Australia, as well as Russia.
- (7) Established in 1994, Brand E is one of the pioneer skin care brands from South Korea that gained popularity worldwide. Inspired by the beauty and purity of snow, its skin care combines modern technology and high-quality ingredients to reveal clear, youthful beauty.

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- (8) Brand F is a is a vegan-friendly, cruelty-free derma cosmetics brand based in South Korea. Launched in 2013, it has managed to enter the global market including the USA, Northeast Asia and Europe.
- (9) Brand G is a South Korea based beauty brand that offers a wide range of cosmetics and skin care essentials formulated with mild and skin-friendly ingredients. Launched in 2016, the brand first began gaining popularity in Southeast Asian markets, then has advanced into the global market, including North America, Japan, Australia and the UK.
- (10) The background information of the brands was extracted from publicly available sources including the website of the respective brands. The Company believes that the sources of this information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

### OUR SALES CHANNELS

Our E-commerce platforms are (i) *YesStyle.com* and the *YesStyle* mobile app; (ii) *YesAsia.com*; and (iii) *AsianBeautyWholesale.com*, which primarily sell third-party branded Asian fashion & lifestyle, beauty products, and entertainment products to customers. We also accept offline wholesale orders of entertainment products mainly from Japan local entertainment retailers.

#### *YesStyle.com*

*YesStyle* commenced business in July 2006. Currently, *YesStyle* mainly targets millennials and Gen Z female customers. In November 2020, *YesStyle* has been awarded “Asia’s Most Valuable Service Awards 2020 — Asia’s Most Prominent Online Fashion and Beauty Products Retailer of the Year” by *Myth Focus*.

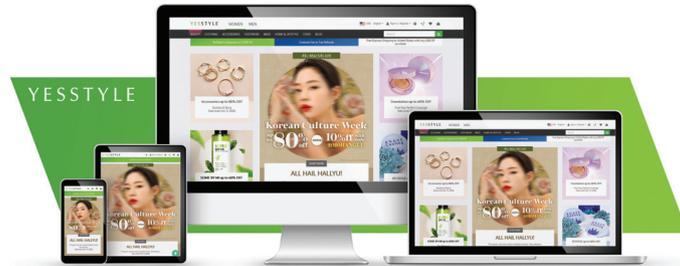
*YesStyle* primarily provides a wide variety of products which include beauty, clothing, accessories, grooming, footwear, bags, home and lifestyle products to our customers. For the three years ended 31 December 2020, revenues generated from fashion & lifestyle products accounted for approximately 55.3%, 52.0% and 53.6% of the total revenues of *YesStyle*, respectively. Revenues generated from beauty products accounted for approximately 44.7%, 48.0% and 46.4% of the total revenues of *YesStyle*, respectively, for the same years. As at the Latest Practicable Date, the number of products *YesStyle* offers is over 5.2 million SKUs, more than 18,900 SKUs of which are Korean beauty products. As at the Latest Practicable Date, the price range of fashion & lifestyle products available on *YesStyle* varies from US\$1.9 to US\$3,960.0, and the price range of beauty products available on *YesStyle* varies from US\$1.9 to US\$1,136.3.

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As a result of our superior customer service, the business scale of *YesStyle* has grown rapidly. For the three years ended 31 December 2020, *YesStyle* has served 619,696, 891,734, and 1,349,501 customers, respectively. For the same years, total order amount generated from *YesStyle* was approximately US\$72.0 million, US\$101.7 million, and US\$154.9 million, respectively, and the number of orders received was approximately 1.2 million, 1.7 million, and 2.2 million, respectively, with the average order size being approximately US\$62.1, US\$59.4, and US\$70.0, respectively.



### *YesStyle* mobile app

We introduced our *YesStyle* mobile app in 2014, which is free for downloading on iOS and Android application stores. The *YesStyle* mobile app was designed to provide a handy and easy-to-use alternative for *YesStyle* customers while retaining most of the key website functions.

As at the Latest Practicable Date, our *YesStyle* mobile app has been downloaded over 5.3 million times. For the year ended 31 December 2020, approximately 31.7% of the revenue from *YesStyle* was generated through the *YesStyle* mobile app, as compared to approximately 20.9% and 30.6% in the year ended 31 December 2018 and 2019, respectively.

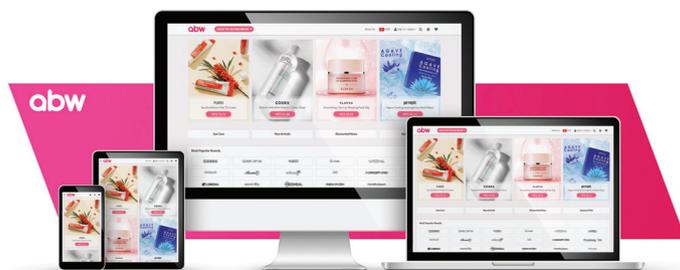


### *AsianBeautyWholesale.com*

*AsianBeautyWholesale* commenced business in August 2017. Currently, target customers of *AsianBeautyWholesale* are global small-sized beauty businesses.

*AsianBeautyWholesale* is an E-commerce B2B platform focusing on business customers. It offers a wide selection of beauty products available on *YesStyle* at a discounted B2B price. The products offered on *AsianBeautyWholesale* include body care, face care, hand and nail care, makeup and cosmetics, beauty tools and accessories, hair and scalp care, bath and shower essentials, oral care, personal hygiene, and sun care. As at the Latest Practicable Date, the number of products *AsianBeautyWholesale* offers is over 43,000 SKUs, more than 15,400 SKUs of which are Korean beauty products. As at the Latest Practicable Date, the price range of products available on *AsianBeautyWholesale* varies from US\$0.6 to US\$714.0. During the Track Record Period and up to the Latest Practicable Date, the minimum purchase amount on *AsianBeautyWholesale* was US\$250 according to its policy.

For the three years ended 31 December 2020, *AsianBeautyWholesale* has approximately 797, 1,422, and 2,263 customers, respectively, and total order amount generated from *AsianBeautyWholesale* was approximately US\$1.4 million, US\$3.0 million, and US\$6.1 million, respectively. For the same years, the number of orders received was 2,820, 4,784, and 7,937, respectively, with the average order size being approximately US\$489.0, US\$622.4, and US\$766.0, respectively.



### ***YesAsia.com***

*YesAsia* (previously known as AsiaCD) commenced business in April 1998. Currently, target customers of *YesAsia* are global Asian culture lovers.

*YesAsia* primarily sells Asian entertainment products such as music CDs and movies in Blu-ray, DVD, and VCD formats, as well as other products including comics, magazines, video games, consoles, books, electronic goods, posters, photo sets, anime goods, collectibles and calendars. As at the Latest Practicable Date, the number of products *YesAsia* offers is approximately 1.9 million SKUs. As at the Latest Practicable Date, the price range of products available on *YesAsia* varies from US\$2.0 to US\$49,286.0.

For the three years ended 31 December 2020, we have 57,335, 43,455, and 36,517 customers, respectively, and total order amount generated from *YesAsia* was approximately US\$7.7 million, US\$5.8 million, and US\$5.4 million, respectively. For the same years, the number of orders received was 113,727, 83,974, and 65,458, respectively, with the average order size being US\$67.3, US\$69.4, and US\$82.5, respectively.



### *Offline B2B sales channel*

Riding on our long-established product supplier network, we also accept offline wholesale orders of entertainment products, primarily from Japan local entertainment retailers. For the three years ended 31 December 2020, we had 174, 169, and 152 customers, respectively, and total order amount generated from offline B2B sales channel was approximately US\$5.4 million, US\$9.7 million, and US\$5.1 million, respectively. For the same years, the number of orders received was 22,833, 20,613, and 12,243, respectively, with the average order size being approximately US\$234.9, US\$470.6, and US\$420.4, respectively.

### **BUSINESS FLOW**

As a brand-neutral E-commerce platform, we source products from third-party brand partners and suppliers. We generally adopt a just-in-time inventory management strategy for most of the products we offer, but complemented by an optimal amount of inventory for best-selling products.

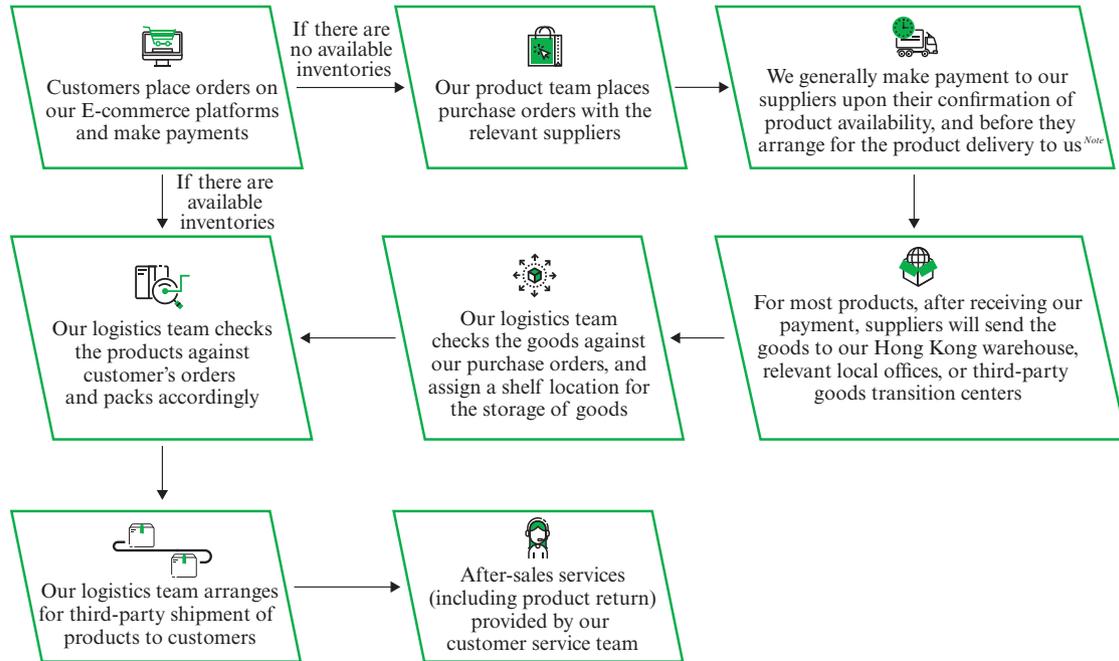
Upon receiving our purchase orders, our suppliers will generally check their respective product inventory against our purchase orders and confirm us with the expected delivery schedule. We typically make payment to our suppliers before they arrange for the product delivery to us. For most products, after receiving our payments, suppliers will send the goods to our Hong Kong warehouse, relevant local offices, or third-party goods transition centers, following which we will arrange for further delivery to our retail or wholesale customers worldwide.

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## BUSINESS

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Presented below is the business flow from procurement to delivery for the products offered on our E-commerce platforms:



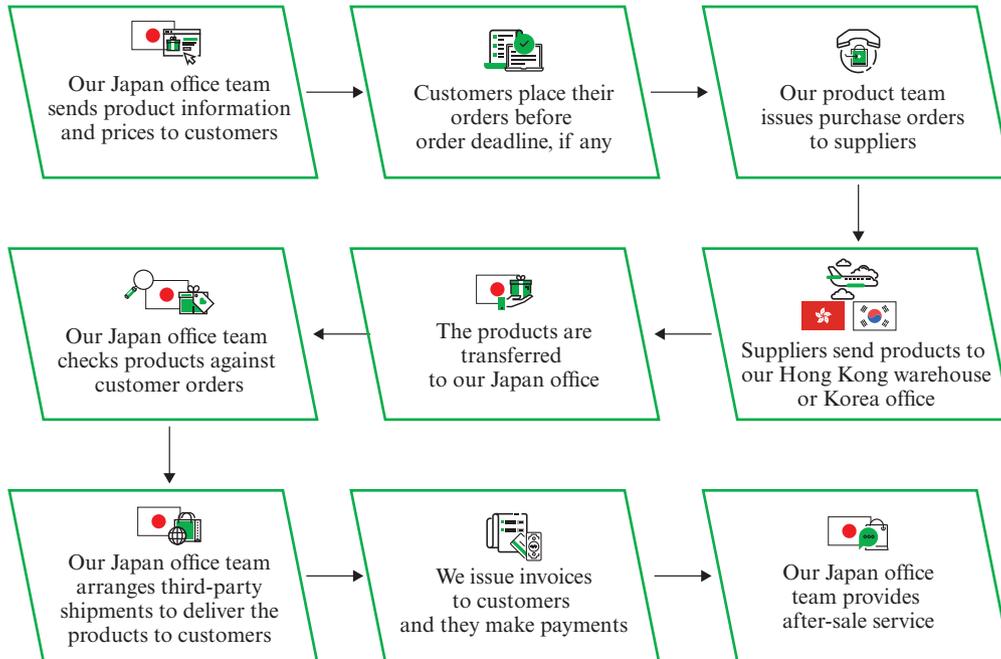
*Note:* On certain occasions when credit terms are offered by our suppliers, we are not required to make payment before deliveries. These suppliers will provide monthly statements to us, upon which we will arrange for regular payments.

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Presented below is the business flow from procurement to delivery for products offered by the offline B2B sales channel:



### SUPPLIER SELECTION AND ARRANGEMENT

During the Track Record Period, we typically sourced products from suppliers comprising brand owners and resellers in Asia and North America, directly or through other third-party E-commerce platforms. During the Track Record Period, our major product suppliers were generally based in South Korea and China. For the year ended 31 December 2020, we spent approximately 53.8% and 35.0% of our total purchase amount to suppliers based in South Korea and China, respectively. For risks relating to tariffs imposed to certain of our goods, please see “Risk Factors — Risks relating to Our Business and Industry — Recent and potential additional tariffs imposed by the US government or a global trade war could increase the cost of our products, which could materially and adversely affect our business, financial condition and results of operations.”

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The table below sets forth the breakdown of the number of our suppliers and the purchase amount, based on purchase order fulfilment dates, by sources and geographical regions during the Track Record Period:

	Year ended December 31					
	2018		2019		2020	
	Number of suppliers	Purchase amount <i>US\$000</i>	Number of suppliers	Purchase amount <i>US\$000</i>	Number of suppliers	Purchase amount <i>US\$000</i>
<b>Brand owner</b>						
— South Korea	156	11,829	204	16,734	223	26,076
	156	11,829	204	16,734	223	26,076
<b>Reseller<sup>(1)</sup></b>						
— South Korea	93	9,954	93	14,057	83	12,264
— China	16,073	12,177	17,961	17,557	19,441	24,958
— Others <sup>(2)</sup>	189	5,727	210	6,466	227	7,965
	16,355	27,858	18,264	38,080	19,751	45,187
<b>Total</b>	<b>16,511</b>	<b>39,687</b>	<b>18,468</b>	<b>54,814</b>	<b>19,974</b>	<b>71,263</b>

*Notes:*

- (1) Including authorized distributors, resellers and merchants on third-party E-commerce platform.
- (2) Including Hong Kong, Japan, Taiwan, the US, Thailand, Malaysia, the UK and Canada.

In selecting new suppliers, we normally make decisions based on our industry experience and market research data, including existing customers' review and feedback of the brand and product. Once we are satisfied that the brands and products provided by a new supplier fit well with our market position and requirements, our customers' appetite and has a good selling potential, our product support team will generally conduct a random sample check before engaging such supplier to ensure that the quality of the products is consistent and meets our standards.

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We typically place purchase orders directly to our product suppliers. We negotiate with our product suppliers regarding order details such as the product cost, allocation of delivery cost, as well as return and refund arrangements, normally on a case-by-case basis. However, we have entered into legally binding agreements with some of our suppliers, including certain Korean beauty and entertainment product suppliers. The salient terms of the agreements with our suppliers are set forth as below:

- |                                                              |                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Duration:</b>                                             | <ul style="list-style-type: none"><li>• The term is generally one year and may be renewed for one successive year unless a timely notice of non-renewal is given by a party.</li><li>• The agreements with certain suppliers may be terminated upon mutual consent, while certain other agreements may be unilaterally terminated by either party with prior written notice.</li></ul> |
| <b>Principal rights and obligations of parties involved:</b> | <ul style="list-style-type: none"><li>• The suppliers are responsible to ship products to us normally within prescribed time periods, and will be liable for making refund for defective or damaged products within seven days after arriving at our office or warehouse.</li><li>• We are responsible for timely payments.</li></ul>                                                  |
| <b>Pricing policies</b>                                      | <ul style="list-style-type: none"><li>• The suppliers generally offered our Group a percentage of discount to the original retail price provided by the suppliers.</li><li>• Certain of our Korean beauty suppliers require us to sell and distribute their products at an agreed selling price or a suggested selling price range.</li></ul>                                          |
| <b>Risk transfer:</b>                                        | <ul style="list-style-type: none"><li>• The risk of damage and obsolescence is generally transferred to us upon delivery of products to our office or warehouse.</li></ul>                                                                                                                                                                                                             |

Certain Korean beauty suppliers impose selling restrictions, including geographic areas, sales channels, and/or prices on us. For example, under certain agreements, we are obliged to refrain from selling related products to certain geographic areas, or through our B2B channels. We are obliged to make reference to pricing guidelines provided by some suppliers for the product to be resold. Our suppliers generally do not impose any marketing restrictions on us. We had launched 113, 142 and 151 of Korean beauty brands that were subject to various selling restrictions for the years ended 31 December 2018, 2019 and 2020, accumulatively. Of these Korean beauty brands, only 23, 33 and 32 brands were subject to selling restrictions imposed to our major markets, namely the US, the UK, France, Germany, Australia and Canada, where the revenue generated from such market exceeds 5% of our total revenue for the year ended 31 December 2020. During the Track Record Period, total order amounts generated from brands under selling restrictions accounted for approximately 42.2%, 42.7% and 32.7% of our total order amounts of the Korean beauty

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products, respectively, whereas total order amounts generated from brands that are subject to selling restrictions in our major markets accounted for approximately 21.9%, 22.7% and 11.4% of our total order amounts of the Korean beauty products, respectively.

During the Track Record Period and up to the Latest Practicable Date, due to the inadvertent delay in system update of changes in selling restriction locations upon notification by our Korean beauty brand product suppliers, a total order amount of approximately US\$4,600 involving eight Korean beauty brand product sales to external customers located in regions with selling restrictions was identified. The total order amounts generated from the associated brands accounted for approximately 0.3%, 0.1% and 0.2% of our total order amounts of the Korean beauty products, respectively, for the three years ended 31 December 2020. Our Directors are of the view that such historical incidents had no material impact to our business, financial performance and prospects as (i) they did not involve any of our major product brands, (ii) they were unintentional non-compliances as a result of delay in information update in our IT system; and (iii) we had not made any product procurement of six of the eight brand products concerned since 8 October 2020 due to decrease in customer demand for their products. In addition, our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of liabilities which may arise as a result of such non-compliances of our Group on or before the Listing Date as a result of the incidents. Save as disclosed, there was no incident of non-compliance with the supplier selling restrictions that our Group was aware of or informed by our suppliers.

We have put in place internal control measures to ensure that we comply with the relevant selling restrictions imposed by our Korean beauty suppliers. In particular, we will ensure that the terms and conditions of selling restrictions are clearly defined before entering into agreements with or procurement from our Korean beauty suppliers. Our product team will also review the product information against the selling restrictions imposed by the suppliers before it is uploaded to our IT system and E-commerce platforms, and upon which restrictions will be implemented on our E-commerce platforms to prevent the relevant products being shipped to destinations that are prohibited by our Korean beauty product suppliers. We have also adopted internal control policies regarding our compliance with selling restrictions for our staff to follow and better understand the restrictions. The Internal Control Consultant is of the opinion that our current internal control policies are adequate and effective in minimizing the recurrence of similar incidents in the future. In addition, during its independent IT system review, the IT Consultant has confirmed that relevant rectification controls have been adopted by us, and there are adequate and effective controls in place in our back-end IT system which aim to minimize the recurrence of similar incidents in the future.

We are normally not subject to any minimum purchase commitment with our suppliers. We generally make payment to our suppliers before they arrange for the product delivery to us. We typically do not have credit arrangements with these suppliers. On few occasions where we are not required to make payment before deliveries, certain product suppliers will provide us with monthly statements and grant us a credit period of around 30 days.

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We generally enter into service agreements that can be terminated on short notice with third-party service providers, including technology service providers, couriers, goods transition centers, contact centers, outsourced labor in our Hong Kong warehouse, and payment gateway service providers.

As at the Latest Practicable Date, we have not entered into any exclusive agreement with any supplier. We can normally turn to alternative suppliers for the supply of our products. Our Directors believe that the risk of disintermediation is low, considering a lack of overseas business presence and customer base of our key brand partners, particularly the new and emerging Korean beauty brands. Under the collaborations, these brands are also provided with additional free brand promotion and product marketing services targeting at global audience. Our business development subdivision under local product team also takes to maintain good relationships and collect feedback timely from our suppliers. Our Directors believe that during the Track Record Period, there is no material and adverse impact from the risk of disintermediation on our business due to the lack of such exclusive agreements with our suppliers, considering the rapidly changing market preference and our flexibility to utilize the ample supplier resources. For details on our major suppliers, please refer to “Major Suppliers” in this section.

### **Consignment sales**

During the Track Record Period, we also received insignificant portions of fashion & lifestyle products from certain brand partners and suppliers for consignment sales, which accounted for less than 0.01% of our total revenue during the Track Record Period.

## **CUSTOMER ORDERING PROCESS**

### **E-commerce Platforms**

Visitors to our E-commerce platforms may browse our goods by brand or by category. All of our platforms prominently display our latest promotions, most popular product categories, and other product information on their respective home page. Visitors may simply type the product or brand name into our internal search engine, click into a product page, and browse the photo gallery and other detailed information. Visitors may also find applicable promotions and shopping notes on each product page, before they go to another page or proceed to check out. Our visitors can also save and subsequently retrieve the items they previously viewed. Leveraging data internally generated from browsing statistics and sales volume, we also incorporate features such as related tags, similar items, and suggested products bought by other customers on most of the product pages to provide our customers with a more personalized yet seamless shopping experience.

Once our *YesAsia* and *YesStyle* visitors have added all their goods to the shopping bag, they can log-in or register as a member and proceed to check out. *YesStyle* also support guest check-out. *AsianBeautyWholesale's* new member applications would require review and approval by us. Our customers will be asked to select the payment and delivery method, and to provide information for the payment and delivery.

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Our system automatically generates and provides our customers with estimated delivery time and cost upon their selection of destination countries and regions on our website and mobile app. We offer free delivery to *YesAsia* and *YesStyle* customers in most countries and regions for orders over their respective minimum purchase amounts.

### **Offline B2B sales channel**

Our Japan local office accepts orders from Japan local entertainment retailers. Japan office team sends product information and prices to these customers from time to time. Our customers will subsequently get back to us with their purchase orders, at anytime or before the order deadline, if any.

Upon receiving a customer order, our *YesAsia* product team will issue purchase order to our relevant supplier. After receiving the product from the supplier, our Japan office team will arrange third-party shipment to deliver the product to the customer. All offline wholesale orders are processed at and shipped from our *YesAsia* Japan office.

### **PRODUCT PROCUREMENT PROCESS**

As an E-commerce company, we have implemented a real-time monitoring system of our inventory level. We generally adopt the just-in-time inventory management strategy for most of the products we sell on our E-commerce platforms, complemented by a standardized procedure for procurement as well as inventory control for best-selling products. Our product team procures most of the products on a back-to-back basis upon the receipt of orders from our customers, thereby reducing our working capital needs and inventory obsolescence risk.

For best-selling products, we rely on our data analytics to determine the appropriate amount of products to be procured. In drawing up our procurement plan and determining an optimal inventory level, our inventory control team will consider factors such as the historical sales figures in our database, customer reviews, the prevailing trends, seasonality, our promotion schedule and the supply chain conditions. Our product team will then place purchase orders with the respective suppliers.

Our Directors confirm that no material product shortage, inventory obsolescence or delay of supply from our suppliers has occurred during the Track Record Period that resulted in any material adverse impact on our operations.

### **QUALITY CONTROL**

#### **Quality control of products**

The main objective of our quality control is to ensure the quality of the products we deliver to our customers and minimize the number of incorrectly packed items, thereby reducing the cost associated with returning and exchanging these items. During the Track Record Period, we did not experience any material product quality issue.

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Our quality management begins early from the supplier selection process. We evaluate our suppliers based on available market data on them, such as reputation of the brands they carry as well as relevant customer reviews and complaints. In addition, our product support team conducts random inspections of the products, to ensure they are in compliance with our standards. Our operation support team will investigate and examine the products when we receive complaints via customer product reviews.

We have a policy in place to check the packaging of the goods received from our suppliers against our orders with them. When packages from our suppliers arrive at our offices or warehouses, we perform a general check to ensure there is no product discrepancy or damage. If we discover any defect, our product team will follow up with the suppliers to resolve the issue effectively and efficiently.

Prior to the delivery of products ordered by each customer, our logistics team will normally check every package against the customer's order record as stored in our system and scan the label on each product being picked to ensure the specification and number of products are accurate.

We constantly monitor our customer reviews of products available on our E-commerce platforms. Return policies and procedures are also clearly set out and easily accessible on our E-commerce platforms. When we receive any customer complaint regarding any product, we will assess and investigate the product to ensure it is in compliance with quality stated on our E-commerce platforms. Given our established relationships with our suppliers, we are able to quickly attend to our customers' return and exchange requests.

### **Quality control of our customer review content**

We have adopted quality control measures for our customers' online reviews. For reviews with text only, we have implemented an internal word filter to flag reviews based on a set of criteria. These flagged reviews will subsequently be passed to our editorial team for further approval before being posted on our websites and mobile app. Our content team will also examine the content of our customer reviews, including but not limited to their attached photos and videos before being published.

Meanwhile, customers can also report reviews which they find malicious, and our content team will determine whether or not such reported content should be removed from our websites and mobile apps on a timely basis.

## **WAREHOUSING, FULFILLMENT, AND DELIVERY**

### **E-commerce Platforms**

When a customer places an order, our order management system automatically processes the order and matches it against our inventory level. If there is no inventory of the ordered products in our warehouse, we will directly place a purchase order with the corresponding supplier.

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Upon our instructions, suppliers will arrange delivery of our ordered products (i) directly to our Hong Kong warehouse, (ii) directly to our relevant local offices, or (iii) to our designated third-party goods transition centers. All the products will eventually be shipped to our Hong Kong warehouse.

Once goods sent by our suppliers arrive at our warehouse or local offices, our logistics team will check the goods against our purchase orders, and assign a shelf location for the storage of the goods. Product record will be electronically updated in our internal inventory system.

To fulfill our customers order, our logistics team will pack the goods according to the order details recorded in our system. The packed goods will be passed to the operation and support personnel under our logistics and service team for final inspection, before being sent to the customers.

We engage independent courier service providers in Hong Kong to deliver the goods to our customers. They are generally able to provide us with tracking information for the deliveries and, in case of delays, our customers are able to track the shipping status of their orders through our websites or mobile apps. The product titles and risk of loss are passed to customers upon delivery to the designated third-party courier, which will deliver such order generally within five to 40 working days based on different destinations.

### **Offline B2B sales channel**

Our suppliers will normally deliver the ordered products (i) to our Hong Kong or South Korea office, where our staff will arrange for further delivery to our Japan office, or (ii) in some occasions, to our Japan office or designated third-party rental storage in Japan. Staff in our Japan office will conduct checks on the product information against customers' orders and arrange for delivery to the customers. After the goods are received in Japan office, they are generally shipped to our customers in one to two working days. The product titles and risk of loss are generally passed to the customers upon delivery.

## **INVENTORY MANAGEMENT**

### **Best-selling inventory management**

We maintain an optimal inventory level to secure sufficient supply of products, keep a smooth order fulfillment process, and provide our customer experience at a high level. We buffer the procurement of certain products base on their historical and expected sales performance, taking into consideration the general market environment and our marketing and promotion schedule. These products are usually categorized as best-selling products.

Our inventory control team reviews the weekly sales report of the best-selling products generated from our back-end system, and adjusts their inventory level accordingly. In the case of any shortage of such products, stock replenishment will be performed through the buffer tools of our back-end system. Upon the approval of our inventory control team and finance and accounting team, the system will generate a buffer purchase order and send to our product team for the procurement.

**Slow-moving inventory management**

Our fashion & lifestyle products and entertainment products do not typically have an expiry date or specific product life cycle. For beauty products with expiry dates, their shelf life generally ranges from two to three years upon manufacturing date. Our inventory control team prepares monthly reports and our operation team carries out annual stock-take, to monitor our inventory levels and reduce inventory obsolescence risk. Our inventory control team and marketing team will identify slow-moving inventories, which are typically inventories that failed to be cleared within a prescribed period of time. Our marketing team will set a discount for each of the slow-moving inventories based on the data analytics. These products will then be sold under our clearance sales campaign or discount section at reduced prices. For the three years ended 31 December 2020, our inventory turnover days were approximately 36 days, 34 days and 37 days, respectively. Our Directors believe that we are generally able to maintain an acceptable level of gross profit margin for these discount sales. See “Risk Factors — If we fail to manage our inventory effectively, we may face the risk of inventory obsolescence.” in this prospectus for more details.

**Inventory provision policy**

Our operation support team performs regular inventory write-off assessments with respect to certain products, including products in poor packaging conditions or to be expired. Before making a write-off request, product team will first check with respective supplier for possible exchange of such products. In addition, our inventory control team makes write-off request on some slow-moving products, which are not able to be sold through clearance sales campaign nor discount section at reduced prices. During the Track Record Period, our inventory write-off was insignificant. We had net reversal of allowance for inventories of approximately US\$2,000 for the year ended 31 December 2020, and net allowance for inventories of approximately US\$88,000 and US\$73,000 for the years ended 31 December 2018 and 2019, respectively. For details of the accounting policy and estimate relating to our inventories, see “Financial information — Critical Accounting Policies, Estimates and Judgements — Inventories” in this prospectus.

**PRICING**

We typically set our product price based on a cost-plus formula. Generally, we determine the prices of the products based on the following cost components:

- (i) types of products and product procurement costs;
- (ii) freight in and freight out factors (the shipping and handling cost of sourcing goods and handling cost required to deliver goods to customers) based on the country and territories we source the product from;
- (iii) processing factor, including shipment labor cost and packaging material cost;
- (iv) set price markup from product cost based on different product categories; and
- (v) set range of expected gross profit margin for the financial year.

We monitor the above cost component regularly and evaluate our overall pricing formula on a bi-annual basis. In addition to the above, we also implement a set list price floor for all the products offered on our platforms. For branded products, based on suppliers' requirement, we may take into account the pricing guidelines of the brands to determine the ultimate selling price.

We make continuous effort to give a more attractive price to our customers. We strive to negotiate with our suppliers for prices that are comparable to or lower than those offered to retailers in other sales channels. We provide a special discount from the suppliers' suggested retail prices for products sold to our wholesale customers.

**OUR CUSTOMERS**

The following table sets forth the operating data of our sales channels including (i) total order amount, (ii) number of total customers, (iii) number of new customers, (iv) number of Repeat Customers, (v) number of orders, and (vi) average order size during the Track Record Period:

Commencement of business	Year ended 31 December																	
	2018				2019				2020									
	Total order amount <sup>(1)</sup> US\$'000	Total customers <sup>(2)</sup>	New customers <sup>(3)</sup>	Repeat Customers <sup>(4)</sup>	Total order amount <sup>(1)</sup> US\$'000	Total customers <sup>(2)</sup>	New customers <sup>(3)</sup>	Repeat Customers <sup>(4)</sup>	Total order amount <sup>(1)</sup> US\$'000	Total customers <sup>(2)</sup>	New customers <sup>(3)</sup>	Repeat Customers <sup>(4)</sup>						
Fashion & Lifestyle and Beauty Products																		
YesStyle	72,046	619,696	451,610	168,086	1,160,757	62.1	1,160,664	891,734	619,656	272,078	1,710,677	59.4	154,856	1,349,501	979,220	370,281	2,213,662	70.0
AsianBeautyWholesale	1,379	797	768	29	2,820	489.0	2,978	1,422	1,066	356	4,784	622.4	6,080	2,263	1,621	642	7,937	766.0
Entertainment Products																		
YesAsia	7,655	57,335	27,244	30,091	113,727	67.3	5,828	43,455	18,538	24,917	83,974	69.4	5,399	36,517	15,828	20,689	65,458	82.5
Offline B2B sales channel	5,362	174	-	174	22,833	234.9	9,701	169	-	169	20,613	470.6	5,147	152	-	152	12,243	420.4
<b>Total</b>	<b>86,442</b>	<b>678,002</b>	<b>479,622</b>	<b>198,380</b>	<b>1,300,137</b>	<b>66.5</b>	<b>120,171</b>	<b>956,780</b>	<b>639,260</b>	<b>297,520</b>	<b>1,820,048</b>	<b>66.0</b>	<b>171,482</b>	<b>1,388,433</b>	<b>996,669</b>	<b>391,764</b>	<b>2,293,300</b>	<b>74.6</b>

*Notes:*

- Total order amount represents purchase amount paid by our customers for the value of products purchased, and before indirect tax payment, effects on foreign exchange, post-sale order refund and adjustments, and other accounting adjustments. Our Directors believe that total order amount to be a more informative indication of the transaction behavior by our customers than revenue, which reflected the impact of factors including indirect tax payment, effects on foreign exchange, post-sale order refund and adjustments, and other accounting adjustments. Please refer to the section headed "Financial Information — Description of Certain Line Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Reconciliation of Total Order Amount to Segmental Revenue" for the reconciliation of total order amount to segmental revenue recorded by the Group.
- A person is considered as a customer of a certain date if the first invoice of his/her/its order has been issued within the reporting period. A person who made his/her/its purchases on different platforms are accounted as separate customers of each platform.
- A new customer is a customer if the first invoice of his/her/its first ever order has been issued within the reporting period. A guest visitor who made his/her purchase during different reporting period without specific customer identification data are accounted as new customer for each of the reporting period. A new customer with his/her/its first order cancelled or refunded will be deemed as a Repeat Customer in our system for his/her/its next order.
- An order is considered as an order of a certain date if its first invoice is issued upon fulfillment within the reporting period. For the avoidance of doubt, cancelled orders are excluded.
- Average order size equals total order amount divided by number of orders.

## BUSINESS

The following table sets forth the breakdown of the major countries to which we sold our products for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	Revenue US\$000	Percentage of total revenue %	Revenue US\$000	Percentage of total revenue %	Revenue US\$000	Percentage of total revenue %
United States	28,798	33.8	36,919	31.4	72,693	41.9
European countries						
France	4,045	4.7	8,474	7.2	14,441	8.3
Germany	3,213	3.8	6,124	5.2	9,817	5.6
Spain	907	1.1	1,788	1.5	3,270	1.9
Italy	943	1.1	1,267	1.1	2,190	1.3
Netherlands	1,206	1.4	1,914	1.6	3,040	1.8
Sweden	908	1.1	1,124	1.0	1,423	0.8
Other EU Countries <sup>(1)</sup>	3,366	3.9	5,362	4.5	8,501	4.9
United Kingdom	8,669	10.2	10,191	8.7	14,674	8.5
Australia	9,167	10.7	9,591	8.2	12,074	7.0
Canada	6,996	8.2	9,347	7.9	10,934	6.3
Japan <sup>(2)</sup>	5,388	6.3	9,499	8.1	5,538	3.2
Hong Kong	1,712	2.0	2,110	1.8	3,464	2.0
New Zealand	1,181	1.4	1,406	1.2	1,331	0.8
Singapore	994	1.2	1,049	0.9	1,179	0.7
Others <sup>(3)</sup>	7,871	9.1	11,424	9.7	8,750	5.0
<b>Total</b>	<b>85,364</b>	<b>100.0</b>	<b>117,589</b>	<b>100.0</b>	<b>173,319</b>	<b>100.0</b>

<sup>(1)</sup> Other EU countries include sales to EU countries, such as Belgium, Austria, Finland, Ireland, Denmark, Poland, Czech Republic, Portugal and Hungary, that individually contributed less than 2% of our total revenue during the Track Record Period.

<sup>(2)</sup> Include revenue of approximately US\$5.0 million, US\$9.0 million and US\$4.9 million for the years ended 31 December 2018, 2019 and 2020, respectively, generated from our offline B2B wholesale channel.

<sup>(3)</sup> Others include sales to countries that individually contributed less than 1% of our total revenue during the Track Record Period.

**E-commerce customers**

Our E-commerce customers generally consist of end customers or small-size businesses who may locate our websites via search engines, third-party social media platforms or advertisements on other websites. We enjoy a diverse customer base. As at the Latest Practicable Date, we have accumulated more than 4.7 million<sup>(1)</sup> E-commerce customers. For the three years ended 31 December 2020, revenues from E-commerce customers amounted for approximately 94.1%, 92.3% and 97.2%, respectively, of our total revenues for the same years.

**Offline B2B customers**

Our offline B2B customers mainly comprise Japan local entertainment retailers. For the three years ended 31 December 2020, our revenues from offline B2B customers accounted for approximately 5.9%, 7.7%, and 2.8%, respectively, of our total revenues for the same years.

Customers of *YesStyle* and *YesAsia* are primarily independent end customers who purchase products from our E-commerce platforms for their own consumption. Customers of *AsianBeautyWholesale* and our offline wholesale channel are primarily independent parties declared to be B2B customers who purchase products from us for business purposes. Purchases by these customers are made by purchase orders in accordance with their actual demands. We do not have control over the business arrangement of such customers, and except for requests in relation to defective products which are made within 14 days from receipts of orders, products purchased by them cannot be returned or refunded. Normally, we have no right of access to information as to the customers' inventory management policy (if any), how such customers intend to consume/resell or actually use the products purchased from us, nor do we impose any additional restrictions on such customers relating to such as minimum purchase commitments, product reselling price, restrictions on the downstream counterparties and territories in which the products may be resold, mandatory or minimum sales targets arrangements and sales and marketing channel on further on-selling, unless specifically requested by our product suppliers. During the Track Record Period, we had an increasing number of *AsianBeautyWholesale* customers due to the increasing awareness of the platform since its business commencement in August 2017. The number of customers of our offline B2B sales channel had been stable during the Track Record Period. Our Directors believe, and accordingly to the F&S report, the risk of cannibalisation between products sold to our B2C customers and our B2B customers are very limited given the widespread demand for fashion & lifestyle, beauty and entertainment products by global customers.

*Note:*

- (1) Accumulated customers refer to all customers who had purchased products from our E-commerce platforms at least once during the period from the launch of *YesAsia.com* to the Latest Practicable Date.

**Sale on Amazon Japan***Amazon Vendor Central*

During the Track Record Period, we registered on Vendor Central, an online management tool of Amazon Japan, for bulk sale of products on the Amazon platform. We pay a rebate based on our sales amount to Amazon Japan on a monthly basis. For the three years ended 31 December 2020, revenues generated from sales on Amazon Japan accounted for approximately 0.6%, less than 0.1% and less than 0.1% of our total revenues, respectively.

*Consignment sales*

In addition to bulk sales on Amazon Vendor Central, we also joined Amazon Japan's Marketplace platform for an insignificant amount of sales of products to end-customers. We kept stock in Amazon's warehouse and pay a handling and inventory fee to Amazon on a monthly basis. We have ended the consignment sales arrangement in October 2018 to further optimize our inventory management.

**MAJOR CUSTOMERS**

During our Track Record Period, our major customers were predominantly wholesale customers given their large order size and high purchase frequency. Our customers normally place purchase orders with us directly, and we generally do not enter into long term business contracts with our customers. For the three years ended 31 December 2020, revenues from the five largest customers of our Group accounted for approximately 5.9%, 7.8%, and 3.0% of the total revenue, respectively, mainly comprising offline B2B sales channel and *AsianBeautyWholesale* customers. For the three years ended 31 December 2020, revenues attributable to our Group's largest customer accounted for approximately 3.6%, 6.5%, and 2.5% of our total revenue. Our Directors believe that we do not have a material reliance on any particular customer as we serve a wide range of E-commerce B2C and B2B and offline B2B customers. The five largest customers for each of the three years ended 31 December 2020 have been our customers ranging from one to 19 years. We normally do not grant a credit period to our customers on E-commerce platforms and ship products to our customers only upon receiving their payment. For our offline wholesale channel, we normally issue invoices to customers after our delivery of products to them and they shall make payment to us within a period up to 45 days. In addition to the product liability insurance, we include standard terms of use on our platforms, which include disclaimer of warranties and a limitation of liability clause against any damage arising from or in connection with our business operation.

## BUSINESS

The following table sets forth details of our five largest customers for the year ended 31 December 2018:

Ranking	Customer	Destination of shipment	Our sales channels	Description	Year of business relationship as at	Revenue contribution	Percentage of total revenue	Products sold	Payment method
					31 December 2018	US\$000	%		
1.	Customer A	Japan	Offline B2B sales channel	CD Shop	17	3,085	3.6	Entertainment	Bank Transfer
2.	Tower Records	Japan	Offline B2B sales channel	CD Shop	17	1,267	1.5	Entertainment	Bank Transfer
3.	Customer B	Japan	Offline B2B sales channel	Online Retail Site	13	524	0.6	Entertainment	Bank Transfer
4.	Customer E	United States	<i>AsianBeautyWholesale</i>	Beauty Shop	2	62	0.1	Beauty	Online payment
5.	Asian Paradise Market	Japan	Offline B2B sales channel	CD Shop	16	52	0.1	Entertainment	Bank Transfer

The following table sets forth details of our five largest customers for the year ended 31 December 2019:

Ranking	Customer	Destination of shipment	Our sales channels	Description	Year of business relationship as at	Revenue contribution	Percentage of total revenue	Products sold	Payment method
					31 December 2019	US\$000	%		
1.	Customer A	Japan	Offline B2B sales channel	CD Shop	18	7,670	6.5	Entertainment	Bank Transfer
2.	Tower Records	Japan	Offline B2B sales channel	CD Shop	18	1,150	1.0	Entertainment	Bank Transfer
3.	Customer F	Hong Kong	<i>AsianBeautyWholesale</i>	Beauty Shop	2	111	0.1	Beauty	Online payment
4.	Customer G	United States	<i>AsianBeautyWholesale</i>	Beauty Shop	1	75	0.1	Beauty	Online payment
5.	Script Corporation	Japan	Offline B2B sales channel	CD Shop	16	69	0.1	Entertainment	Bank Transfer

## BUSINESS

The following table sets forth details of our five largest customers for the year ended 31 December 2020:

Ranking	Customer	Destination of shipment	Our sales channels	Description	Year of business relationship as at	Revenue contribution	Percentage of total revenue	Products sold	Payment method
					31 December 2020	US\$000	%		
1.	Customer A	Japan	Offline B2B sales channel	CD Shop	19	4,319	2.5	Entertainment	Bank Transfer
2.	Tower Records	Japan	Offline B2B sales channel	CD Shop	19	416	0.2	Entertainment	Bank Transfer
3.	Customer H	United States	<i>AsianBeautyWholesale</i>	Beauty Shop	3	210	0.1	Beauty	Online payment
4.	Customer I	Slovakia	<i>AsianBeautyWholesale</i>	Beauty Shop	2	191	0.1	Beauty	Online payment
5.	Customer F	Hong Kong	<i>AsianBeautyWholesale</i>	Beauty Shop	3	171	0.1	Beauty	Online payment

The five largest customers during the Track Record Period are Independent Third Parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which, to the best knowledge of the Directors, beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of our Group during the Track Record Period. To the best knowledge of our Directors, none of our five largest customers were our group's Suppliers during the Track Record Period.

### MAJOR SUPPLIERS

Our suppliers can be principally classified into (i) product suppliers which mainly supplied our fashion & lifestyle, beauty and entertainment products, and (ii) other suppliers which mainly involve the provision of logistics services, payment gateway services and online advertising services.

#### Product suppliers

For the three years ended 31 December 2020, purchases from our five largest product suppliers accounted for approximately 16.0%, 16.0%, and 12.3%, respectively, of our total purchases. Purchases from our largest product supplier accounted for approximately 3.9%, 4.5%, and 3.4% of our total purchases, respectively, for the corresponding year. Our Directors believe that we do not have a material reliance on any particular supplier. The five largest product suppliers for each of the three years ended 31 December 2020 have been suppliers of our Group for over 1 to 16 years. For different major product suppliers, we settle our payment either before delivery or within a period up to 14 days upon delivery. We generally settle the invoices of our major product suppliers through bank transfer.

## BUSINESS

The following table sets forth details of our five largest product suppliers for the year ended 31 December 2018:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2018</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Koem Commercial Co. Ltd	South Korea	Beauty products supplier	3	2,679	3.9	Bank transfer
2.	Kakao M	South Korea	Entertainment products supplier	13	2,644	3.9	Bank transfer
3.	Supplier C	South Korea	Beauty products supplier	3	2,340	3.5	Bank transfer
4.	Supplier E	South Korea	Beauty products supplier	2	1,756	2.6	Bank transfer
5.	Supplier F	South Korea	Entertainment products supplier	1	1,456	2.1	Bank transfer

The following table sets forth details of our five largest product suppliers for the year ended 31 December 2019:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2019</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Genie Music Corporation	South Korea	Entertainment products supplier	15	4,341	4.5	Bank transfer
2.	Supplier C	South Korea	Beauty products supplier	4	3,273	3.4	Bank transfer
3.	Supplier E	South Korea	Beauty products supplier	3	3,127	3.3	Bank transfer
4.	Kakao M	South Korea	Entertainment products supplier	14	2,345	2.5	Bank transfer
5.	Koem Commercial Co Ltd	South Korea	Beauty products supplier	4	2,165	2.3	Bank transfer

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## BUSINESS

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The following table sets forth details of our five largest product suppliers for the year ended 31 December 2020:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2020</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Supplier C	South Korea	Beauty products supplier	5	4,637	3.4	Bank transfer
2.	Supplier G	South Korea	Beauty products supplier	3	3,616	2.7	Bank transfer
3.	Genie Music Corporation	South Korea	Entertainment products suppliers	16	3,266	2.4	Bank transfer
4.	Supplier H	South Korea	Beauty products supplier	4	2,688	1.9	Bank transfer
5.	Supplier E	South Korea	Beauty products supplier	4	2,573	1.9	Bank transfer

### Other suppliers (apart from product suppliers)

For the three years ended 31 December 2020, purchases from our five largest suppliers (other than product suppliers) accounted for approximately 16.1%, 17.1%, and 25.9%, respectively, of our total purchases. Purchases from our largest service supplier accounted for approximately 4.7%, 5.0%, and 10.6% of our total purchases, respectively, for the corresponding year. Our Directors believe that we do not have a material reliance on any particular supplier. The five largest suppliers for each of the three years ended 31 December 2020 have been suppliers of our Group for over 1 to 13 years. For different major suppliers, we settle our payment either on delivery, or within a period up to 30 days upon delivery. We generally settle the invoices of our major suppliers through bank transfer or credit card. We settled some of the amounts due to major suppliers such as logistics suppliers with credit cards in view of the rebates from credit card companies in relation to the use of credit card payment systems. One of our credit card providers has requested us to maintain certain financial covenants and provide prior notification of shareholding level change by key shareholders for our continuous utilization of its services.

## BUSINESS

The following table sets forth details of our five largest suppliers (other than product suppliers) for the year ended 31 December 2018:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2018</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Hongkong Post	Hong Kong	Logistics supplier	6	3,162	4.7	Credit card
2.	DHL Express (Hong Kong) Limited	Hong Kong	Logistics supplier	11	2,414	3.6	Bank transfer
3.	Supplier I	Hong Kong	Logistics supplier	2	2,053	3.0	Bank transfer
4.	Supplier A	Hong Kong	Logistics supplier	6	1,814	2.7	Bank transfer
5.	Supplier B	Hong Kong	Logistics supplier	4	1,438	2.1	Bank transfer

The following table sets forth details of our five largest suppliers (other than product suppliers) for the year ended 31 December 2019:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2019</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Hongkong Post	Hong Kong	Logistics supplier	7	4,771	5.0	Credit card
2.	Supplier A	Hong Kong	Logistics supplier	7	3,954	4.1	Bank transfer
3.	Supplier B	Hong Kong	Logistics supplier	5	3,429	3.6	Bank transfer
4.	Supplier D	Hong Kong	Logistics supplier	1	2,132	2.2	Bank transfer
5.	Federal Express (Hong Kong) Limited	Hong Kong	Logistics supplier	12	2,127	2.2	Credit card

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## BUSINESS

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The following table sets forth details of our five largest suppliers (other than product suppliers) for the year ended 31 December 2020:

<u>Ranking</u>	<u>Supplier</u>	<u>Country of business operation</u>	<u>Description</u>	<u>Year of business relationship as at 31 December 2020</u>	<u>Purchase amount</u> <i>US\$'000</i>	<u>Percentage of total purchase</u> %	<u>Payment method</u>
1.	Federal Express (Hong Kong) Limited	Hong Kong	Logistics supplier	13	14,360	10.6	Credit card
2.	Supplier B	Hong Kong	Logistics supplier	6	7,774	5.7	Bank transfer
3.	Supplier D	Hong Kong	Logistics supplier	2	5,850	4.3	Bank transfer
4.	Supplier A	Hong Kong	Logistics supplier	8	4,594	3.4	Bank transfer
5.	DHL Express (Hong Kong) Limited	Hong Kong	Logistics supplier	13	2,635	1.9	Bank transfer

The five largest product suppliers and the five largest other suppliers (other than product suppliers) during the Track Record Period are Independent Third Parties and, to the best knowledge and belief of our Directors, none of the Directors or their close associates or any Shareholders (which, to the best knowledge of the Directors, beneficially own more than 5% of the Shares) had any interest in any of the five largest suppliers of the Group during the Track Record Period. To the best knowledge of our Directors, none of our five largest product suppliers and the five largest other suppliers (other than product suppliers) were our customers during the Track Record Period.

### PAYMENT

#### Payment method

For customers using our E-commerce platforms, we accept payment by credit card and other online payment methods including *PayPal*, *Apple Pay*, and *Google Pay*. Shipment is typically arranged after payment has been made.

We involve payment gateway companies to process our customers' E-commerce transactions. Specifically, we submit a payment request including the currency, amount, and payment type to the payment gateway company, which will later process the transaction through an acquiring bank or payment provider depending on the location of customer and payment type. Upon receiving the remittance from the payment provider in the currency the transaction was submitted, the payment gateway company will remit the funds, net of processing fees, to our account upon our request and in our designated currencies. We typically enter into standard agreements with payment gateway companies

without fixed term. The payment gateway company charges an agreed processing fee on all successful transactions it processes, which is generally calculated on a per country and/or per currency basis.

For offline wholesale orders, we accept payment mainly by bank transfer.

### **Fraud Identification**

The payment gateway companies we work with constantly monitor our merchants accounts. We also implement a fraud detection system which identifies possible fraudulent transactions on a daily basis. Our credit online team reviews such identified transactions on a case-by-case basis.

During the Track Record Period, we have not encountered any payment fraud that had materially and adversely affected our business.

### **CUSTOMER SERVICE AND AFTERSALES SERVICE**

Providing satisfactory customer service is of our high priority. Our commitment to customers is reflected in the high level of service provided by our customer service staff and our technologies, as well as our flexible product return and exchange policies.

#### **Return and exchange policies**

As at the Latest Practicable Date, we have specific return and exchange policies for each of our platforms and product categories.

Customers of *YesStyle* who purchase certain fashion, accessories, lifestyle, beauty, personal hygiene and grooming products may return their purchases within a 14-day return period. Consumers can return unwanted products, replace defective items or ask for size exchange within certain prescribed time periods (generally 14 days from the date of receipt of the order, depending on the types of the products involved). For certain fashion & lifestyle products, our customers may request for a size exchange within 14 days. Returned items must be in their original packaging, and must be in mint, unused condition. Incomplete returns may be refused or disregarded.

Customers of *YesAsia* who purchase video, music, selected TV, concerts and music videos, anime, and collectibles and toys may return their purchases within a 14-day return period for products bought on our E-commerce platform. We generally offer exchange for items that are defective except for selected games items and TV set-top boxes.

For *AsianBeautyWholesale* and offline B2B customers, we normally only accept returns or exchanges of defective items.

We are responsible for the shipping cost when we ship out replacement items to customers, regardless of whether the original product is defective or requested for exchange. Except for defective item return or exchange, our customers are normally responsible for the shipping expense when returning a product to us.

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## BUSINESS

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Our suppliers are responsible for ensuring the quality of the products provided. Any defective products received by us will be returned to our suppliers at our sole discretion, and we generally do not incur any loss for product return. To the extent permissible under the relevant law in Hong Kong, we do not generally offer warranties on products sold by us including merchantability and fitness for a particular purpose. In circumstances that our suppliers offer product warranties for defects in materials or workmanship, we may, at our sole discretion, assist our customers to ship the products to the relevant suppliers for repair or exchange. For the Track Record Period, we made provisions in our accounts for product returns.

For the three years ended 31 December 2020, the return rates in terms of the percentage of the total shipped orders were approximately 1.5%, 1.1%, and 1.1%, respectively for *YesStyle*, approximately 0.9%, 0.3% and 0.4%, respectively for *AsianBeautyWholesale*, and approximately 0.2%, 0.3% and 0.3%, respectively for *YesAsia*.

### **Help center**

We have adopted conversational AI technology for our customer service, which is able to automatically parse data, intent, and tasks from comprehensive customer interactions on a 24–7 basis. Our customers can also make queries and file complaints via various channels such as online written instant messaging, phone call, our official accounts on various social media platforms, and through emails to our customer service team or even directly to our CEO.

We have engaged different service providers located in certain key countries where we derive our revenue from, to provide our customers with return merchandise authorization service (“**RMA Service**”), customer relationship management as well as customer contact management solutions and services. During the Track Record Period, we have engaged Chu Po King to provide RMA Service for YesStyle’s customers in Canada, and HKT to provide contact centre services including email and other electronic channel support to our customers. For details of this service arrangements, please refer to “Connected Transactions — Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions” in this prospectus.

After receiving a complaint from our E-commerce customers, our customer service staff will respond to our customers’ complaints through the original channel from which we received such complaint. Each of our customer service staff has his/her own login account which allows us to analyze their performance. Our customer service staff generally follow up customer enquiries and complaints on a daily basis.

Our Directors confirmed that, during the Track Record Period, our Group did not receive any material complaint from our customers that had materially and adversely affected our business, nor did our Group make any material compensation to our customers as a result of any product liability claims or complaints from our customers.

**MARKETING**

Our marketing efforts facilitate our delivery of authentic, aspirational experiences, as well as fashion & lifestyle and beauty content that drives customer engagement. We utilize various marketing approaches to support our customer acquisition and retention metrics, including influencer marketing, social media marketing, performance marketing and retention marketing. For the three years ended 31 December 2020, our marketing and promotion fees amounted to approximately US\$3.6 million, US\$5.1 million and US\$7.1 million, respectively.

**Influencer marketing**

Given that more people are taking cues from social media about what and where to buy, internet celebrities now wield significant influence over customers' spending behavior. We engage influencers and KOLs in our content-driven marketing campaigns through the *YesStyle Influencer Program* and KOL initiative to generate traffic and drive sales on our platform. In particular, we encourage influencers, who normally have less than 100,000 followers, to sign up with our *YesStyle Influencer Program* and to earn coupons and/or commissions through their self-created content. In addition, we also take initiatives to reach out to KOLs, who normally have more than 100,000 followers, to facilitate collaboration on the promotions of certain brands and/or products. We sourced our influencers and KOLs through our own channels and did not engage any external agencies for such purpose during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, the commissions received by our influencers and KOLs for their promotional efforts typically ranged from 2% to 10% of the order amount generated. We may also negotiate specific commission rates with certain KOLs.

Revenues generated from influencer marketing were approximately US\$0.8 million, US\$7.9 million and US\$27.4 million for the three years ended 31 December 2020, accounting for approximately 1.2%, 7.9% and 17.4% of the total revenue of *YesStyle*, respectively.

***YesStyle Influencer Program***

We launched our *YesStyle Influencer Program* in February 2019. As part of our "one-stop" service provided to our brand partners and suppliers, we receive a variety of free product samples from the suppliers every month for brand and product promotions. Our influencers may claim the sponsored products under our sponsored products program subject to its terms and conditions. It allows influencers around the world to try out sponsored products for free and to introduce our product features and share their user experience in live streams and/or by posting articles, videos, and/or photos on various social media platforms.

Subject to the terms and conditions, all of our registered members can apply for the influencer program by simply signing up on the program web page of our website. We provide selected influencers with incentives in the form of commissions, sponsored

products, and discounts over purchases on *YesStyle*. Whenever a customer shops through the influencer’s unique reward code or reward link that we generated for them, the influencer will receive a commission of the order amount. In addition, once joining our program, the influencers will automatically become a Gold Member of our *YesStyle Elite Club* and enjoy respective discounts and coupons for their purchases. Please see “Marketing — Retention marketing — *YesStyle Elite Club*” in this section for details.

Since launch, the *YesStyle Influencer Program* has been well-received by our influencers and brand partners. Influencers regard it as a great opportunity to earn commissions and grow their careers by working with our reputable brand partners, while our brand partners, especially Korean beauty brands, see the *YesStyle Influencer Program* as a major gateway for increased exposure to territories outside Asia. During the two years ended 31 December 2020, we have collaborated with an accumulated number of 19,376 and 70,885 influencers, respectively, under our *YesStyle Influencer Program*. As at the Latest Practicable Date, more than 150,000 influencers, mostly from overseas countries, are onboard with the *YesStyle Influencer Program*, providing us with significant potential to reach out to their followers, which amount to millions of Internet users.



### ***Collaborations with KOLs — the KOL initiative***

We launched our KOL initiative in January 2018. We distribute a variety of complimentary product samples under our sponsored products program, which are sponsored by suppliers who wish to utilize our KOL and influencers’ resources to promote their brands and products to global audience. In addition to registered KOLs under our sponsored products program, our local marketing team proactively reaches out to KOLs, whom we consider suitable for promoting certain brands and products. When selecting KOLs, we generally consider factors including their number of followers and historical content, our product categories, market trends, and the target audience.

Our KOLs are typically awarded with coupons for their self-created content. KOLs who wish to receive commissions will normally join our affiliate marketing program with *ShareAsale*. Subject to its terms and conditions, our KOLs receive the day-to-day commission payment under *ShareAsale* for directing customers to purchase products from our website. Please see “Marketing — Performance marketing — Affiliate marketing” in this section for details.

We typically set commission rates and/or coupon value with the KOLs through E-mails. Under rare occasions or upon some KOLs' specific requests, we will enter into marketing agreements with such KOLs. The salient terms of the agreements with our KOLs are set forth as below:

- Duration:** There is generally no fixed term and either party may terminate the agreement upon notice to the other party.
- Principal rights and obligations of parties involved:** The KOL is obliged to refer to our platform in a positive manner for certain times over a certain period.
- We are responsible for the timely payment of prescribed fees and commissions to the KOL, and shall have the right to use the name and logo of the KOL, as well as content created by such KOL under the agreement.

During the three years ended 31 December 2020, we have collaborated with 105, 172 and 229 KOLs, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have fostered collaborations with additional 126 KOLs from around the world, providing us with the potential to reach millions of their followers.



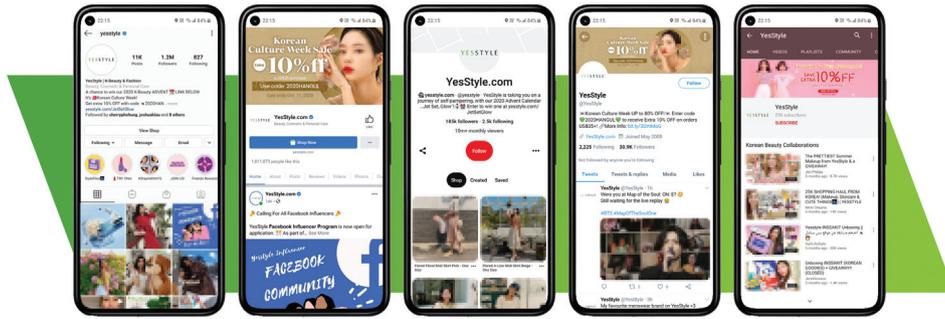
### Social media marketing

We leverage an array of mainstream social media platforms, including *Instagram*, *Facebook*, *Pinterest*, *Twitter* and *YouTube*, to ensure our continuous and comprehensive exposure to customers. Followers and visitors to our social media accounts may find an item we report is of particular interest to them. By simply clicking on the links on our social media pages, they will be seamlessly directed to our websites and mobile app. As at the Latest Practicable Date, we have more than 3.7 million social media followers across our platforms.

The use of social networking platforms allows us to connect directly with customers who provide us with instant feedback on our products and services. It helps us to formulate our marketing and promotion strategies, and review and adjust our product portfolio to match prevailing consumers' preferences.

Our in-house content team regularly creates articles, pictures and video content on fashion, beauty, celebrity style, and lifestyle topics on our social media accounts which distills styles and trends and guides our potential customers through our social media

accounts, which extends the time our visitors spend viewing our social media publications and attract traffic to our websites. We also place product links on our blogs, newsletters and social media accounts to encourage and facilitate customer purchases. As at the Latest Practicable Date, we have attracted over 3.7 million social media followers and over 4.0 million newsletter subscribers for *YesStyle*.



***Marketing initiatives in collaboration with brand partners***

As part of our social media marketing initiatives, we have established ourselves as an industry pioneer in collaborating with brand partners on our beauty box marketing strategy. It helps to promote the brand image of our *YesStyle* platform as the “go-to” gateway for Korean beauty products. In particular, our marketing team will propose the products to be included in the beauty box to the brand partners, and our local sales team will follow up with the brand partners regarding the product quantities, the number of product for us to procure and for suppliers to sponsor, as well as the promotion and shipping schedule.

In 2018, we capitalized on our early-mover advantage to introduce the first K-beauty *Advent Calendar Box*, “*A KRistmas Fairytale*” to customers of our *YesStyle* website, which helped us to drive more traffic and new visitors. In 2019, we launched our second K-Beauty *Advent Calendar Box*, which increased the traffic and customer engagement as compared to the previous year. Recently, we introduced our “*Jet Set, Glow*” K-Beauty *Advent Calendar Box* 2020 in the fourth quarter of 2020.

The first *INSSAKIT K-beauty box*, “*Vol. 1 Spring Edition*”, was introduced in the second quarter of 2020 to reinforce the perceived link between *YesStyle* and Korean pop culture to reach new potential customers and social media followers. In the third quarter of 2020, we worked with five brand partners to launch *INSSAKIT K-beauty box*, “*Vol. 2 Jibkok Edition*” with similar objectives.



## **Performance marketing**

### ***Search engine advertising***

We display contextual advertising on major search engines, such as Google's advertising networks on a cost-per-click basis. Specifically, we place our advertisements such as banners or product highlights to promote our brands or products to potential customers, and we bid a price for each keyword or keyword group. We measure the cost of customer acquisition and constantly adjust our keyword selection combinations, advertising copy, and landing pages to increase the likelihood of customer purchases once they visit our websites.

### ***Affiliate marketing***

In addition, we engage in affiliate marketing programs with global affiliate networks, including *ShareAsale* and *AWIN*, where we offer affiliated websites commissions for directing customer traffic to our websites through embedded hyperlinks. We typically enter into affiliate marketing advertiser agreement with the affiliate networks, under which we are obliged to pay set-up and network fees with a prescribed commission rate for each of our program, while the affiliate network is obliged to provide us with the affiliate recruiting tools, affiliate marketing system and other relevant services.

### ***Search Engine Optimization***

We create landing pages and write content about fashion & lifestyle and beauty topics on our websites. These landing pages are optimized for certain keywords, and therefore, such landing pages may rank higher of result pages of search engines such as *Google* and *Bing* when search queries of relevant keywords are made by potential customers. Our landing pages may then be selected by these potential customers in order to learn more about our products and brands. Such marketing campaign attracts traffic to our websites and apps from potential customers. Apart from our landing pages, we also optimise our home page, product pages, brand pages and category pages for different keywords. We rank keywords on different search engines, in different countries and different languages to generate impressions and traffic to our websites.

During the Track Record Period, our revenue directly generated from our performance marketing campaigns amounted to approximately US\$23.9 million, US\$26.9 million and US\$44.6 million, representing 33.5%, 26.9% and 28.4% of the total revenue of *YesStyle*, respectively.

### **Retention marketing**

#### ***YesStyle Elite Club***

We have established a loyalty program, subject to our constant review, to cultivate customer loyalty and encourage our customers to make repeat purchases. For *YesStyle*, we operate our membership system, *YesStyle Elite Club*, under a four-tier membership structure, namely Regular, Bronze, Silver and Gold Member, with each tier receiving different membership discounts and coupons, as well as potential special promotions such as birthday offers. Our members upgrade their membership level through accumulation of our program tokens, which can be simply earned through activities such as purchasing, writing product reviews, and downloading applications.



#### ***YesStyle Friend Rewards***

We launched our *YesStyle Friend Rewards* in October 2018. It allows our members to earn reward credits while giving their friends a discount on their orders. Upon a friend's order, our member will receive reward credits equal to a percentage of the friend's spending, which can be applied to the member's next *YesStyle* order.



**Discounts and coupons**

Depending on our marketing strategy, the general economic condition, and seasonality in the industry, we may offer electronic coupons to our E-commerce customers from time to time, which allow them to receive a discount upon checkout at our websites and mobile app. In addition, we frequently launch promotions corresponding to a variety of events and festivals such as Annual Sale, Spring Festival, Easter Sale, Mother’s Day Sale, Anniversary Sale, Back-to-school events, Singles’ Day Promotion, Thanksgiving Sale, Black Friday Campaign and Christmas Sale. We also offer promotions on different product categories, such as cruelty-free beauty products, skin care products, and apparel on a regular basis. We consistently monitor the turnover of goods we sell on our E-commerce platforms. We offer discounts on slow moving goods in our inventory, except for goods that are on consignment sale.



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**BUSINESS**

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**AWARDS AND RECOGNITIONS**

Our achievements have been recognized by the following awards and recognitions:

<u>Award</u>	<u>Year</u>	<u>Awarding body</u>
Asia's Best E-Tailing Awards (Best Cross-border Award)	2020	The Best Practice of eCommerce Alliance and Hong Kong Trade Development Council
Hong Kong Business Technology Excellence Awards (E-commerce Retail category)	2020	Charlton Media Group
Hong Kong's Most Outstanding Services Awards 2020 (Number 1 Beauty and Fashion Platform of the Year)	2020	CORPHUB
Asia's Most Valuable Service Awards 2020 (Asia's Most Prominent Online Fashion and Beauty Products Retailer of the Year)	2020	Myth Focus
62th – Retailers Top 300 Most Followed Brands on Instagram	2020	Stylophane
Hong Kong's Most Outstanding Business Awards	2019 to 2020	CORPHUB
PayPal Top Seller	2018 to 2019	PayPal
Caring Company	2007 to 2019	Hong Kong Council of Social Service
Asia Pacific Entrepreneurship Award (E-commerce Industry)	2017	APEA Asia
The Top 500 Web Retailers	2006 to 2010	Internet Retailer
Best Music & Movie Shopping Site	2000 to 2001	CMAAsia.com

**SEASONALITY**

Our business is seasonal. Historically, the fourth quarter of each year contributes the largest portion of the annual revenue for our E-commerce business as a result of increased advertising and promotional activities, which is primarily due to a number of events, festivals, and our corresponding promotions such as Halloween Sale, Single’s Day Promotion, Thanksgiving Sale, Cyber Monday Sale, and Black Friday Campaign, followed by the Christmas Sale. For the three years ended 31 December 2020, revenues from fourth quarter of our E-commerce platforms accounted for approximately 30.4%, 28.9% and 30.5% of our total revenue, respectively. See “Risk factors — Our business is subject to seasonality risk.” in this prospectus for more details.

**INFORMATION TECHNOLOGY SYSTEM**

We believe establishing a stable, resilient, secure and up-to-date technology infrastructure is critical to the operations of our online business. Our IT systems are principally developed by our IT team, which consists of the following parts:

- front-end system, including our website- and mobile app- related applications, such as our search engine and web server;
- back-end system, including order-related operational systems such as management of order changes and cancellations, as well as communication systems;
- catalog system, including product management systems such as inventory and pricing systems; and
- data mining system, including functions such as data analysis and reporting, product popularity monitor, and accounting system.

We have developed most of the key business modules through our internal IT department. We have also acquired licensed software from reputable third-party providers, such as *Oracle* and *Crystal Reports*, and customised the software for our operations with the support from these providers. In the development of our IT systems, we have integrated third-party services and tools in various parts of our systems, such as:

- Front-end system: tax compliance service, content delivery network, payment processors and web analytics services
- Back-end system: fraud management service and database management systems
- Catalog system: cloud storage service
- Data mining system: data visualization tool

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## BUSINESS

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As our business generates a large amount of Internet traffic from visitors all over the world, we utilize a third-party service provider to keep our servers running continuously. We have strict policies to ensure the stability, security, reliability and robustness of the system for our websites or software upgrades.

We are committed to safeguarding the confidentiality, integrity, and availability of all electronic information. The software, system, and other technical tools we use are either developed by our IT team or duly licensed from third-party technology service providers. In addition to our routine security check, we deploy tools including firewall and SSL encryption to assist us in meeting our security and stability objectives. Such measures play a crucial role in mitigating risks posed to our technology infrastructure. We actively track our service level such as the traffic data to maintain the stability of our integrated digital platforms. We use software to help us monitor our websites' performance and availability. We perform vulnerability scanning to detect any weakness in the security of our integrated digital platforms. We also conduct annual security planning and training, providing our employees with training materials, seminars, and email quizzes to educate them on navigating the risks they are likely to encounter during our daily operations. As at the Latest Practicable Date, there were 57 employees in our IT team. Our IT team intends to provide continuous training to our employees when new software features are deployed.

We subscribe to third-party software to perform data analysis, reporting, and traffic source tracking. The data analytics is conducted based on the raw sales data we collected during the business operation, so as to extract and analyze the patterns, deviations, and inconsistencies of our customers' behavior and preference. The results obtained from such analysis provide us with market information for planning our marketing strategy and selecting products.

We believe that our module-based systems are highly scalable, which have enabled us to expand system capacity, and supplement new features and functionality to our systems in response to our business needs and evolving customers' demands without affecting the operation of existing modules. Our IT team continuously customizes them by incorporating new features and functions suggested by our content, marketing, product, management teams, which increases our overall productivity and safeguards our customers' data privacy.

Our systems are embedded in a multitude of retail scenarios, from our online web to mobile shopping experience. Our mobile app provides additional channels for our users and online customers to access our E-commerce platforms, and keeps our followers and visitors updated via push notifications. See "Our sales channels — *YesStyle* mobile app" in this section for more details.

Our system is protected by regular backup, which is carried out by our IT team. Suspension of our system may occur when major software upgrade is required once every few months, and the suspension time normally takes less than an hour. As at the Latest Practicable Date, the Group has a 99.96% uptime record for its system. As confirmed by our Directors, there have been no material unexpected system or network failures which caused material interruption to our operations during the Track Record Period.

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## BUSINESS

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We have also engaged an external IT Consultant to review and test the effectiveness of our information technology system, the IT Consultant is of the view that our Group's IT policy and system in place are adequate and effective for monitoring purposes during the Track Record Period and up to the Latest Practicable Date, with no significant control deficiencies noted.

### EMPLOYEES

#### Our employees

As at the Latest Practicable Date, we have 637 employees (including 585 full-time and 52 part-time employees), 613 of which are based in Hong Kong, whereas six and 18 employees are based in Japan and South Korea, respectively.

Below is a breakdown of the number of our full-time and part-time employees by function as at the Latest Practicable Date:

<b>Function</b>	<b>Number of employees</b>
Management . . . . .	23
Marketing . . . . .	60
Business development . . . . .	22
Content . . . . .	79
Products procurement . . . . .	178
Logistics . . . . .	163
Customer service . . . . .	18
Information Technology . . . . .	57
Human resources and administrative. . . . .	13
Finance and accounting. . . . .	<u>24</u>
Total. . . . .	<u><u>637</u></u>

We generally recruit our employees from the open market, or through employment agencies, and enter into employment contracts with them. After their probations, they are entitled to discretionary performance bonuses and medical insurance coverage. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salary.

We incurred employee benefits expenses (including Director's remuneration and share-based compensation) of approximately US\$13.4 million, US\$16.1 million and US\$21.0 million for the three years ended 31 December 2020, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our discretionary performance bonus, salary review, and promotional appraisal in order to attract and retain talented employees.

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## BUSINESS

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In order to promote overall efficiency, employee loyalty and employee retention, we provide our employees with technical and operational on-the-job training, people development programs, a stock option scheme, a performance bonus scheme and promotion prospects. During the Track Record Period, we had not received or experienced any material labor dispute with our employees.

### **Employment agencies**

We engage employment agencies to help us recruit candidates for various positions in Hong Kong, such as IT, marketing, content and senior management positions, which require extensive experience or particular technical or language skills. We typically enter into framework service agreement with selected employment agencies under indefinite terms, and pay the agreed amount of service fee upon each successful referral. Once we decide to employ a candidate, we enter into an employment agreement with that candidate and will bear contributions to employee compensation insurance and MPF in respect of such candidate. During the Track Record Period, all of these employment agencies were Independent Third Parties.

### **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, we owned 14 registered trademarks in Hong Kong, the US, Canada, Australia, the EU and China. For details of our trademark registrations and mobile app, see “Appendix IV — Statutory and General Information — B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group” in this prospectus.

We sell products manufactured by third parties. For the three years ended 31 December 2020, we worked with 16,511, 18,468 and 19,974 suppliers, respectively, comprising mainly brand owners and authorised distributors. We conduct background checks before we engage any new supplier. For details of our internal control on supplier selection, please see “Internal Control” in this section. When we enter into agreements with our brand partners or suppliers, they generally provide us with licenses to use their intellectual property in connection with the sales and promotion of their products. These licenses are typically coterminous with the respective agreements. For contents we share on our websites, mobile app and social media platforms, we endeavor to create original photos and videos, or use materials provided to us by the suppliers. We have and will continue to request for the signing of vendor acknowledgement letters with suppliers of our key products to enhance our legal protection on product information provided by our suppliers and displayed on our websites. Under such acknowledgement, the brand partners and suppliers were obliged to hold us harmless against any claim, damage, liability, charge or expenses due to their fault arising from our promotion and sales of their products, including such as third-party intellectual property rights infringement and/or other non-compliance under applicable laws and regulations. For the internal control policy adopted by us on intellectual property, videos, please refer to the paragraphs headed “Internal Control” in this section.

**INSURANCE**

We are headquartered in Hong Kong and have maintained the following insurance policies: (i) an employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries to employees in Hong Kong in the course of employment with us; (ii) a group life insurance to cover death and disablement of the employees in Hong Kong in the course of employment with us; (iii) a group medical and dental insurance to cover hospitalization, surgical and clinical expenses of the employees in Hong Kong in the course of employment with us; (iv) an office insurance for our office premises and office equipment in Hong Kong (where the underlying policy mainly covers loss resulting from burglary, damages made to insured property, and increased cost due to business interruptions); (v) an insurance for our warehouse to cover any damage or loss to our stocks and equipment in the warehouse; (vi) a product liability insurance for fashion & lifestyle, beauty and entertainment products; (vii) a directors' and officers' liability insurance for our Directors and officers, and (viii) a cyber-insurance to protect us from internet-based risks including but not limited to breach of data security and cyber attacks. Our Group also maintains relevant labor insurance under the local laws and regulations of Japan and South Korea respectively.

Our Directors believe that our Group's insurance coverage is sufficient and in line with the general industry practice in Hong Kong, Japan and South Korea. For risks related to product liability and data privacy, please see "Risk Factors — Risks Relating to Our Business and Industry — Products we sourced from our suppliers may subject us to potential claims relating to product liability, description, warnings and labelling, which may materially and adversely affect our business and our reputation." and "Risk Factors — Risks Relating to Our Business and Industry — Failure to protect confidential information of our customers and our network against security breaches could damage our reputation and substantially harm our business and results of operations." respectively, in this prospectus.

**TRANSFER PRICING ARRANGEMENTS****Commercial Rationale**

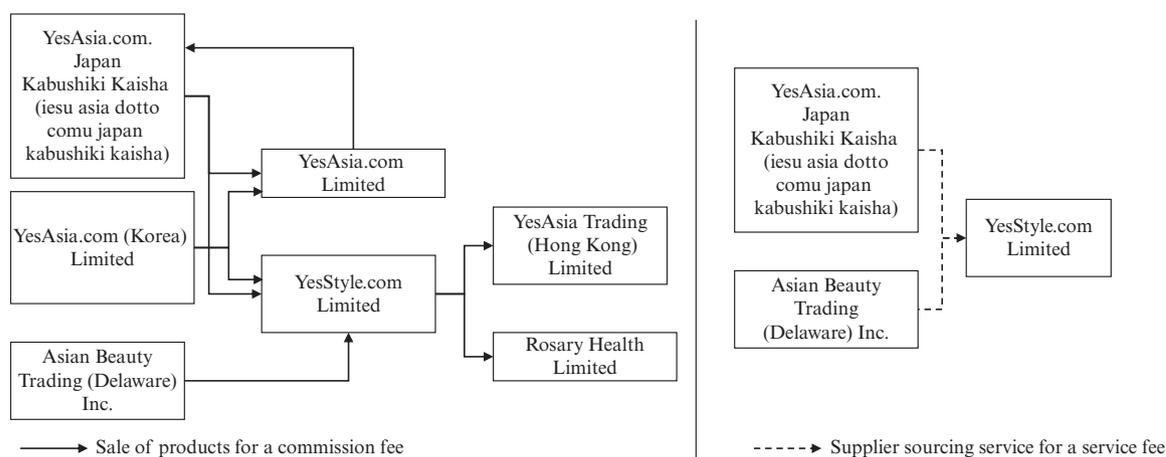
Headquartered in Hong Kong, we primarily perform our management, marketing, business development, content, product procurement, logistics, customer service, information technology, human resources, administrative, finance and accounting functions through our subsidiaries in Hong Kong. We have established subsidiaries in Japan, South Korea and the United States mainly to support the product procurement function of our Hong Kong subsidiaries.

## BUSINESS

Our Group’s major intra-group transactions were the procurement and sale of fashion & lifestyle, beauty and entertainment products as well as certain back-end and operational support service transactions. During the Track Record Period, we conducted our local product procurement from external suppliers through our subsidiaries in Hong Kong, Japan, South Korea and the United States. We primarily conducted our sales activities and order fulfilment to our E-commerce customers through our subsidiaries in Hong Kong. Our subsidiary in Japan also engaged in the sale of entertainment products to local customers under our offline wholesale channel. Certain back-end and operational support services were provided by the Company and its subsidiaries in Hong Kong to other local and overseas subsidiaries in our Group.

The following diagram sets forth our Group’s typical transaction flow in respect of our related party transactions (“**Covered Transactions**”) during the Track Record Period:

### 1. Product procurement



Notes:

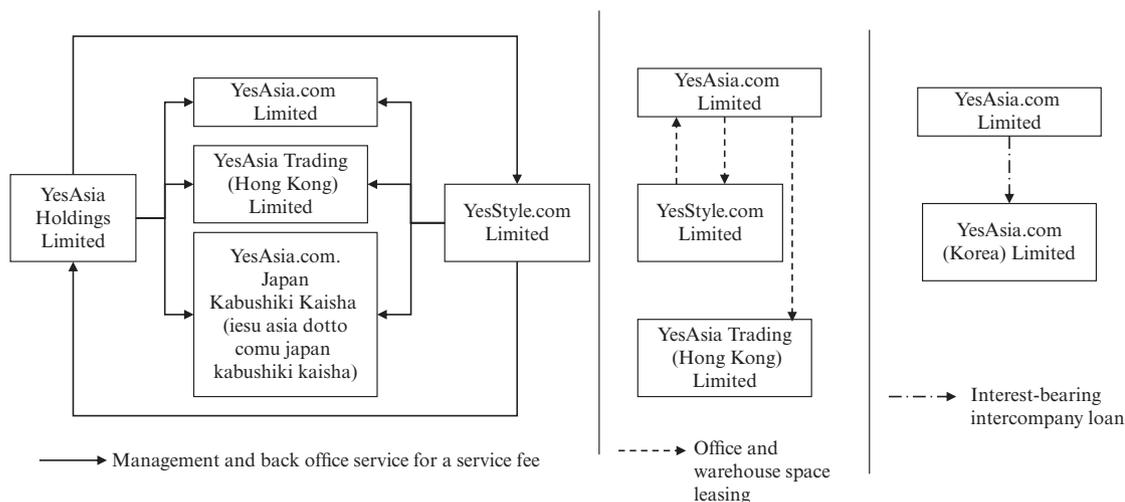
1. YesAsia.com Limited is the operating entity of YesAsia.com
2. YesStyle.com Limited is the operating entity of YesStyle.com and its mobile app
3. YesAsia Trading (Hong Kong) Limited is the operating entity of AsianBeautyWholesale.com
4. Rosary Health Limited had engaged in the sale of food-related products including snacks and supplements through YesStyle.com Limited’s platform to our E-commerce customers
5. YesAsia.com.Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha) procured entertainment products from YesAsia.com Limited for our offline wholesale sale in Japan
6. Product procurement function of Asian Beauty Trading (Delaware) Inc. was performed by YesStyle.com Limited since June 2020 upon its voluntary dissolution on 17 July 2020, considering its immaterial operation scale

## BUSINESS

The corresponding amounts of intra-group transactions conducted during the Track Record Period are as follows:

	For the year ended 31 December		
	2018	2019	2020
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>(A) Intra-group product sale</b>			
YesAsia.com (Korea) Limited	24,956	36,360	44,567
YesAsia.com. Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)	2,955	3,231	3,590
YesAsia.com Limited	4,616	8,450	4,298
YesStyle.com Limited	988	2,142	4,538
Asian Beauty Trading (Delaware) Inc.	124	372	177
<b>(B) Intra-group supplier sourcing service provision</b>			
YesAsia.com. Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)	61	66	69
Asian Beauty Trading (Delaware) Inc.	17	—	—

### 2. Back-end and operational support service



*Notes:*

1. YesAsia Holdings Limited mainly provides management and back office support services (including IT, administrative, finance, human resources, etc.) via senior employees who are managerial grades or above to other subsidiaries.
2. YesStyle.com Limited mainly provides management and back office support services (including IT, administrative, finance, human resources, etc.) via junior employees who are managerial grade or below to other subsidiaries.
3. YesAsia.com Limited is the registered owner of the offices of our Group in Hong Kong. Our aggregate office areas increased in 2020 upon relocation of our head office.

## BUSINESS

4. YesStyle.com Limited is the registered owner of the warehouses of our Group in Hong Kong. Our aggregate warehouse leasing fee decreased in 2020 upon renewal of lease agreements with our lessors.
5. YesAsia.com Limited provides intercompany loan to YesAsia.com (Korea) Limited to support its working capital needs.

The corresponding amounts of intra-group transactions conducted during the Track Record Period are as follows:

	For the year ended 31 December		
	2018	2019	2020
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>(A) Management and back office service</b>			
YesAsia Holdings Limited	6,033	7,188	9,288
YesStyle.com Limited	467	594	735
<b>(B) Office and warehouse space leasing</b>			
YesAsia.com Limited	630	646	2,473
YesStyle.com Limited	68	40	24
<b>(C) Intercompany loan Interest</b>			
YesAsia.com Limited	58	56	56

### Transfer Pricing Assessment

The Organisation for Economic Co-operation and Development (the “**OECD**”), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the “**OECD Transfer Pricing Guidelines**”), which is generally followed by all tax jurisdictions involved in our Covered Transaction including Hong Kong, South Korea, Japan and the United States. According to the OECD Transfer Pricing Guidelines, our Covered Transactions should be at arm’s length basis to avoid distorted taxable income in different jurisdictions.

In order to ensure compliance with the relevant transfer pricing regulations, we have engaged an independent transfer pricing consultant, RSM Tax Advisory (Hong Kong) Limited, (the “**Transfer Pricing Adviser**”) to conduct benchmarking studies on the Covered Transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline, which primarily identified the arm’s length pricing and/or profit range for the Covered Transactions.

Transfer Pricing Adviser first selected the most appropriate transfer pricing methodology in its benchmarking studies based on the nature and characteristics of the intra-group transactions. For the provision of product procurement and supplier sourcing services, the Transfer Pricing Adviser selected transactional net margin method (“**TNMM**”) with operating profit margin (“**OPM**”) as profit level indicator, which compared the profit margin of a taxpayer arising from intra-group transactions with the operating profit margin realized by independent parties engaging in similar comparable business. For the intra-group transactions resulted from the provision of management and back office

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## BUSINESS

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services, TNMM was also adopted with full cost-plus mark-up as profit level indicator. For our intercompany loan transaction, the comparable uncontrolled price method (“CUP”) was adopted, which compared the arrangement for the services in the intra-group transactions to the arrangement of transactions between independent parties under similar and comparable circumstances. The main difference between TNMM and CUP is that the former focuses on the margins rather than the prices earned on a particular transaction. For the intra-group office and warehouse space leasing transaction, no benchmarking study has been performed because the Transfer Pricing Adviser considers the transfer pricing risk for this transaction is minimal due to the fact that (a) this transaction is a Hong Kong domestic related party transaction; and (b) the Hong Kong profits tax rate for the related parties involved were the same at 16.5%.

For the benchmarking study using TNMM method, a range of reasonable profit level was determined by reference to the range of reasonable profit level derived by comparable companies (the “**Comparable Profit Level Range**”). The Comparable Profit Level Range determined through the benchmarking study follows the OECD Transfer Pricing Guidelines and can be regarded as an arm’s length profit level range.

For the benchmarking study using CUP method, loan interest is usually applied to the provision of loan between independent parties. Accordingly, a range of loan interest rate was determined by reference to the comparable loan agreements between independent parties. The loan interest rate range determined through the benchmarking study follows the OECD Transfer Pricing Guidelines and can be regarded as an arm’s length loan interest rate range.

Pursuant to the OECD Transfer Pricing Guidelines, if the profit levels are not on arm’s length basis, it is necessary to consider whether any allocations in the profit levels shall be made between the subsidiaries in the accounts to achieve comparability with the arm’s length profit level. Therefore, based on the benchmarking studies prepared by our Transfer Pricing Adviser, we compared the profit level of our operating subsidiaries of the Covered Transactions against the Comparable Profit Level Range for the Track Record Period. Below we set forth the Comparable Profit Level Range and the profit level of our major operating subsidiaries during the Track Record Period.

The Transfer Pricing Adviser has performed benchmarking study for the Covered Transactions to search for reliable comparable companies with publicly available information. The Transfer Pricing Adviser has applied both quantitative and qualitative criteria to select comparable companies. Applying the quantitative criteria, the comparable companies must be companies which (i) had available financial information; and (ii) did not report three years consecutive losses. Applying the qualitative criteria, the comparable companies must be companies which (i) engaged in sufficiently similar industries and activities of the companies involved in the Covered Transactions; (ii) sold sufficiently similar products or provided sufficiently similar services of the companies involved in the Covered Transactions; and (iii) had sufficient information for review.

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Below we set forth the Comparable Profit Level Range and the profit level of our major operating subsidiaries during the Track Record Period.

	Comparable Profit Level Range									Profit level indicator		
	2018			2019			2020 <sup>(2)</sup>			For the years ended 31 December		
	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	2018	2019	2020
<b>I. Product procurement and supplier sourcing services</b>												
YesAsia.com (Korea) Limited	3.95%	1.95%	1.26%	3.88%	2.48%	1.46%	3.88%	2.48%	1.46%	1.75%	2.56%	2.60%
YesAsia.com. Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha) <sup>(5)</sup>	1.80%	1.03%	(3.21%)	1.92%	1.22%	(1.70%)	1.92%	1.22%	(1.70%)	(2.24%) <sup>(4),(5)</sup>	(1.65%) <sup>(4),(5)</sup>	(1.57%) <sup>(4),(5)</sup>
YesAsia.com Limited	4.37%	0.48%	(0.42%)	4.13%	0.40%	(1.32%)	4.13%	0.40%	(1.32%)	1.41%	2.49%	3.04%
YesStyle.com Limited	9.17%	5.80%	4.63%	8.87%	5.66%	3.30%	8.87%	5.66%	3.30%	6.18%	3.45%	8.55%
Asian Beauty Trading (Delaware) Inc. <sup>(3)</sup>	4.26%	3.27%	(8.47%)	4.49%	3.13%	(9.74%)	4.49%	3.13%	(9.74%)	3.95%	(6.02%) <sup>(4),(6)</sup>	(8.55%) <sup>(4),(6)</sup>
<b>(A) Management and back office service</b>												
YesAsia Holdings Limited	12.31%	7.28%	5.20%	11.17%	5.25%	4.35%	11.17%	5.25%	4.35%	10%	10%	10%
YesStyle.com Limited	12.31%	7.28%	5.20%	11.17%	5.25%	4.35%	11.17%	5.25%	4.35%	10%	10%	10%

	Comparable Loan Interest Rate Range									Loan interest rate		
	2018			2019			2020			For the years ended 31 December		
	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile
<b>(B) Intercompany loan interest</b>												
YesAsia.com Limited	4.79%	4.35%	3.25%	4.79%	4.35%	3.25%	4.79%	4.35%	3.25%	4.60%	4.60%	4.60%

*Notes:*

1. Asian Beauty Trading (Delaware) Inc. had no operations for the year ended 31 December 2017
2. Since the financial data for the year 2020 of certain comparable companies was not yet available in the third party database as of the date of the review, the Transfer Pricing Adviser used the benchmarking results for the year ended 31 December 2019 to evaluate if the transaction was conducted on arm's length basis for the Covered Transactions conducted during the year 2020.
3. Our Transfer Pricing Adviser has adopted TNMM as transfer pricing method and performed a benchmarking study for the intra-group product procurement and supplier sourcing services provided by YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha) and Asian Beauty Trading (Delaware) Inc. to compare their profit levels at entity level against the Comparable Profit Level Range for the Track Record Period.
4. According to the OECD Transfer Pricing Guidelines, associated enterprises, like independent enterprises, can sustain genuine losses (e.g. due to unfavourable economic conditions, inefficiencies, or other legitimate business reasons).
5. Apart from the fact that YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s profit level falls within the Comparable Profit Level Range during the Track Record Period, our Transfer Pricing Adviser considers YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s intra-group product sales and provision of suppliers sourcing services during the Track Record Period complied with the arm's length principle because (a) the transfer pricing policy was consistent within the Group, which the goods sourced by related party seller would be sold to the related party buyer at cost; whilst the related party buyer should remunerate the related party seller a commission income at certain percentage of the value of goods

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sourced. The reason for YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s losses was mainly because of the competitive nature of Japan B2B market and the competitive selling price to Japan B2B customers. That is to say, YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s losses were not due to transfer pricing reason; and (b) Japan National Tax Agency ("NTA") performed tax audit on YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s Corporate Income Tax for the years ended 31 December 2016, 2017 and 2018, and no tax adjustment nor transfer pricing adjustment was imposed by NTA. Since YesAsia.com Japan Kabushiki Kaisha (iesu asia dotto comu japan kabushiki kaisha)'s OPM shows an increasing trend in the Track Record Period, therefore, the possibility for NTA to impose transfer pricing adjustment is not high.

6. Apart from the fact that Asian Beauty Trading (Delaware) Inc.'s profit level falls within the Comparable Profit Level Range during the Track Record Period, our Transfer Pricing Adviser considers Asian Beauty Trading (Delaware) Inc.'s intra-group product sales and provision of suppliers sourcing services during the Track Record Period complied with the arm's length principle because (a) the transfer pricing policy is consistent within the Group, which the goods sourced by related party seller would be sold to the related party buyer at cost; whilst the related party buyer shall remunerate the related party seller a commission income at certain percentage of the value of goods sourced; and (b) the reason for Asian Beauty Trading (Delaware) Inc.'s losses is because it just commenced business from the year 2018, the scale of business is small resulting in insufficient gross profit/ operating profit to cover the company's expenses, that is, Asian Beauty Trading (Delaware) Inc.'s losses is not due to transfer pricing reason.

Based on review results by our Transfer Pricing Adviser, the Group companies involved in the intra-group transactions during the Track Record Period have complied with the arm's length principle, and our Group has been in compliance with the applicable transfer pricing laws and regulations in Hong Kong, Japan, South Korea and the United States in all material aspects. According to our Transfer Pricing Adviser, there was no need for any transfer pricing adjustment within our Group, and that the likelihood of triggering transfer pricing audit by the tax authority is remote.

Our Directors are not aware of any inquiries, audit or investigation by any tax or other regulatory authorities in Hong Kong, Japan, South Korea and the United States with respect to our transfer pricing arrangements as at the Latest Practicable Date with respect to the intra-group transactions. We have adopted the various measures to ensure ongoing compliance with the transfer pricing laws and regulations in the relevant jurisdictions, including:

- (i) Our Chief Financial Officer and financial controller have reviewed the Covered Transactions analysis provided by our Transfer Pricing Adviser for transactions took place during the Track Record Period, and will take into account of such analysis for the forthcoming tax reporting filings as required;
- (ii) Our Chief Financial Officer and financial controller will review terms of the intra-group transactions and regularly compare our transfer pricing policy with similar transactions in the market to ensure they are carried out on arm's length basis from time to time;
- (iii) Our Transfer Pricing Adviser will deliver regular training on the updated laws and regulations in relation to transfer pricing to our accounting and finance department on an annual basis; and

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- (iv) We will engage tax consultant(s) to review whether our Group's transfer pricing arrangements have followed the arm's length principle to ensure compliance if and when necessary.

### PROPERTIES

Our corporate headquarters is located at 5/F, KC100, 100-110 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. As at the Latest Practicable Date, we did not own any property, while we leased 10, one and one properties in Hong Kong, Japan, and South Korea, respectively, with an aggregate gross floor area of 198,076, 1,921 and 4,915 square feet respectively. Our leased properties are primarily used as offices, warehouses, and carparks.

For the three years ended 31 December 2020, our aggregate rental and related expenses were approximately US\$1.4 million, US\$0.3 million, and US\$0.8 million, respectively. Since the adoption of HKFRS 16 leases on 1 January 2019, where rentals and related expenses were reclassified as right-of-use assets that depreciating throughout the term of lease, for the two years ended 31 December 2020, we had depreciation of right-of-use assets of approximately US\$1.7 million, and US\$3.4 million, respectively, that are rental related.

Our Directors confirm that none of our leased properties were leased from persons connected to our Company that would otherwise constitute connected transactions after the Listing. Our Directors further confirm that all of our leased properties have been with good title and there were no claims or disputes due to the title defect of any of our leased properties as at the Latest Practicable Date.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on the basis, we are not required by Rule 5.01B of the Listing Rules to include in this prospectus any valuation reports.

### COMPETITION

The E-commerce industry, especially the E-commerce retail industry is very competitive and fragmented with a large number of market incumbents. According to the F&S Report, our current and potential competitors are mainly:

- (i) global and regional E-commerce companies, including horizontal E-commerce companies who sell a range of diversified products to a broad base of customers with the primary advantage of convenience, and vertical E-commerce companies that focus on industry-specific marketing approaches and sell products in certain industries, and
- (ii) traditional retailers in key regions, namely the U.S., UK, Canada, Australia, France, and Germany, with product offerings covering fashion and beauty products through both physical retail stores and online channels, if any.

Please see "Industry Overview" in this prospectus for more details.

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The principal competitive factors in our industry include E-commerce platform operation experience, brand recognition and reputation, product resource accumulation, supply-chain management, pricing, marketing and content production capabilities, fulfilment capability, and customer service. In addition, new and enhanced technologies may increase the competition in the E-commerce retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

We believe that we are well-positioned to effectively compete in the industry considering our: (i) E-commerce sales experience established since 1998, (ii) strategic positioning in Asian fashion & lifestyle, beauty and entertainment products with extensive and diverse product selections which comprise more than 7.1 million SKUs on our E-commerce platforms as at the Latest Practicable Date, (iii) successful accumulation of an engaged customer base worldwide, (iv) effective and award-winning marketing strategy, (v) well-received customer service quality, (vi) established industry leading position in the cross-border online Korean beauty retail sector, (vii) successful expansion to fashion and lifestyle products since 2006, and the Korean beauty product market since 2015 which have demonstrated our capabilities to capture business opportunities, enhance our business presence and diversify revenue stream, and (viii) competitiveness which was manifested by our solid financial performance and growth during the Track Record Period despite the increasing competition in the E-commerce industry. In light of the above, our Directors are of the view that our business is able to continue its sustainable growth and we can maintain our competitive edges in the foreseeable future amidst the growing competition from other global E-commerce platforms which are of much larger business scale and offer substitutable products, new industry entrants, consolidations of existing competitors or companies spun off from our larger competitors. Please see “Risk Factors — Risks Relating to Our Business and Industry — The E-commerce industry is highly competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our financial conditions and results of operations.” in this prospectus for more details.

### IMPACT OF COVID-19

The COVID-19 pandemic caused an adverse impact on the global economy. Nevertheless, we were still able to achieve 47.4%, 64.3% and 233.0% of increase in our revenue, gross profit, and net profit in the year ended 31 December 2020, respectively, as compared with 2019, primarily due to a reshaped consumers purchase pattern and an increasing growth in E-commerce B2C sales facilitated by the pandemic.

There were certain disruptions during the first quarter of 2020, including temporary suspension of supplies from certain fashion & lifestyle product suppliers in the PRC, and interruptions to logistics services provided by our couriers. As the market started to recover from COVID-19 in the second quarter of 2020, the negative impact of the pandemic on us diminished and we achieved significant growth in our revenue and gross profit in the year ended 31 December 2020. Nevertheless, the extent to which the COVID-19 outbreak may continue to adversely affect the macro-economic environment as well as our business, results of operations and financial condition remain uncertain, and will depend on future developments, including the duration, severity and reach of the COVID-19 outbreak, and

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actions taken to contain the outbreak or mitigate its impacts. See “Risk Factors — Risks Relating to Our Business and Industry — Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.”

Assuming that our operation has been fully suspended since May 2021, and considering our bank and cash balances, prudent estimates of settlement of account and other receivables and payment of account payables based on historical settlement pattern, and bank borrowings as at 30 April 2021, and on the basis that (i) no revenue or cost of sales will be incurred; (ii) continual incurrence of our selling expenses commitment such as marketing tool and software subscription and other IT networking expenses; (iii) continual incurrence of administrative expenses to maintain minimal operations of our E-commerce platforms and marketing tools functioning, and payment for retained employee salaries and office rentals; and (iv) net proceeds from the Global Offering designated for general working capital (representing 9.8% of the net proceeds), our Group is expected to maintain sufficient working capital until March 2022.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)**

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices to develop sustainable value for stakeholders and take up responsibilities as a corporate citizen. We have established ESG policies which set forth our environmental protection measures, social responsibility principals and internal governance.

Under our ESG policies for environmental protection, we aim to promote usage of renewable resources and reduce production of hazardous chemicals and gas emissions. Our ESG policies for social responsibility and corporate governance aim to ensure that our business meets applicable laws and regulations, contribute to social responsibility causes and promote employees’ work safety. We also established ESG policies for corporate governance, which aim to manage risks in operation and enhance our operating efficiency.

Our Directors have overall responsibility for our ESG strategy and reporting, ensuring that our ESG policies are duly implemented and have continuous updates for full compliance with the latest standards. Our Directors also support our commitment to fulfilling its environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

As a practitioner of the E-commerce industry and given the non-manufacturing nature of our business, we believe that our operations are not the major sources of environmental pollution as they do not involve any significant direct air emissions, wastewater emissions, noise emissions and waste generations. Hence, we are not aware of any relevant environmental laws and regulations in respect of air and greenhouse gas emissions, discharge into water and land, and generations of hazardous and non-hazardous waste that would cause a significant impact.

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Despite the environmental impact directly caused by us is minimal, we recognise our social responsibilities in managing the environmental impacts associated with our operations and the importance of risk avoidance in minimizing potential impact that might affect the implementation of our business plan and strategy and financial performance.

We consider that the relevant environmental concerns of our operations include (a) direct greenhouse gas and air pollutant emissions, (b) energy consumption, and (c) resource utilizations. We identify and assess environmental risks according to the relevant legal requirements and environmental consequences. We have adopted the following measures to identify, assess and manage risks that may arise from these aspects:

### Direct greenhouse gas and air pollutant emissions

- Our operational activities do not directly generate industrial pollutants, or produce air emissions. The major source of air emissions that is indirectly generated by us is attributed to gasoline and diesel consumed by an external transportation fleet engaged by the Group to deliver goods from our warehouses to shipping destinations. As we have outsourced the transportation arrangement to logistic service companies, which are independent third parties that are not owned by or controlled by us, the retrieval of relevant data of such emissions is not feasible. We are, however, keen to cooperate with logistics service providers which have a relatively higher environmental awareness and strive to minimise the environmental impact of direct emissions from their transportation fleet. In addition, the truck we use for transportation of the inventories at our warehouses is an environment-friendly commercial vehicle approved by the Environmental Protection Department with a lower level of emissions.

### Energy consumption

- Our energy consumption is mainly derived from electricity consumption from our offices and warehouses and IT servers maintained at the data centers of our external service providers. It is also the main source of our indirect greenhouse gases emissions. Therefore, increasing energy efficiency has been one of the key considerations in our operations.
- We have used LED light system which has much higher energy efficiency. Electricity consumption estimation of our offices is illustrated in the following table:

	2018	2019	2020
	<i>kWh</i>	<i>kWh</i>	<i>kWh</i>
Electricity Consumption	842,309	1,076,344	1,401,059
Electricity Consumption/million USD revenue	9,867	9,153	8,084

**Resource utilisation**

- In relation to resource utilization management of our warehouses, we adopt a “just-in-time” procurement strategy that in and out of inventories are carefully managed so as to reduce overstocks and wastes. Carton boxes from suppliers are one of the main non-hazardous wastages generated in our operations. In this regard, used carton boxes will be delivered to recycling companies or factories nearby. In order to minimize packaging materials used for product fulfilment, we strive to ensure that different sizes of carton boxes are always available for re-packing to accommodate various sizes of ordered products.
- In relation to resource utilization management of our offices, we adopt a document management system and a paper management system with the aim to reduce the amount of paper waste used for record keeping and avoid unnecessary printing.
- We consider that our water consumption is insignificant as no water is required in our daily business operations apart from the small-scaled domestic use by our employees. To avoid generating plastic wastes due to the use of plastic bottles, we have installed water dispenser that filters tap water for drinking purposes at our offices.

**Responsible supply chain management and green procurement**

- A stable supply chain is highly important to maintain our normal business operations. To ensure stability of the supply chain system, risks including ESG consideration are evaluated to make sure the quality, cost, delivery and service standard, environmental and social performance of the suppliers meet our requirements. For instance, we cooperate with logistics suppliers which value the importance of ESG.
- In relation to our products which involve chemicals, we normally obtain the testing reports or certificates of their products from our product suppliers, to ensure that products sold on our platforms do not contain harmful chemicals. In particular, we understand that animal testing is generally forbidden during the production process of beauty products originated in South Korea. As such, according to the best knowledge of our Directors, none of our beauty products had undergone any animal testing during their production processes.

**Training and safety in workplace**

- We put strong emphasis on work safety. We are committed to meeting all health and safety statutory requirements and to exceeding them wherever it is reasonably practicable. Our warehouse employees are required to attend safety training upon commencement of their respective employment.

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- We have also established a business continuity plan to prepare the business operations in the event of extended service outages caused by factors beyond our control (e.g., natural disasters, man-made events). All Company sites are expected to implement preventive measures whenever possible to minimize the risks of injury and fatality of employees and operational disruptions. Operations are expected to recover as rapidly as possible when the safety of employees is ensured. Evacuation procedure is also established and our assigned personnel will assist in the evacuation and hold a roll call at his assembly point in case of fire hazard.
- We have adopted a total ban on smoking in all of our facilities. Smoking is strictly prohibited in all enclosed areas in the offices, including private offices, conference/meeting rooms, warehouse, common areas, pantries, washrooms and reception areas.

### **Preventive measures and community contributions during the COVID-19 pandemic**

- We carefully and continuously assess and monitor the evolving COVID-19 situation, and responded by setting up the specific work arrangements. Employees are encouraged to work at home to minimize the infection risk in daily face-to-face interactions. Hygiene guidelines are issued for every employee to follow to ensure that basic hygienic standards are met in the workplace. We have also established guidelines and contingency plans to respond to the potential risks of discovery of confirmed COVID-19 cases among our employees. Once a member of our Group is confirmed positive with COVID-19 infection, our response team will immediately activate procedures including reporting to our management and the authority, identification of close contact personnel, arrangement of virus testing and isolation for employees of high infection risk, disinfection cleaning by professionals, etc.
- We have installed air purification systems in the offices and warehouses to remove volatile organic compounds which post health risks on our employees.
- We have been providing virus protection kits (including surgical masks, alcohol gel and vitamin C tablets) for our employees to minimize infection risks during the COVID-19 pandemic. We are also aware of the need to maintain physical wellbeing of our employees' families, and as such we offered kid masks to meet their family members' needs.
- Contributing to the society is always of a high priority of our Group. In this regard, we have donated personal protective equipment to non-governmental organizations to support people in need amid the outbreak of COVID-19.

### **Board diversity**

- We have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. The policy provides that our Company should endeavour to ensure that our Board members have the appropriate skills,

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expertise and diversity of perspectives that are required to support the execution of our business strategy. Selection of candidates for Directors will also be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender.

- We value gender diversity and we will continue to take steps to promote gender diversity at all levels, including our Board. In particular, two out of three of our Executive Directors are female and the Chair of the Board is also female which is a testament of our Group's dedication in achieving gender diversity at Board level. For details of our board diversity policy, please refer to the section headed "Directors and Senior Management — Board Diversity and Policy" of this prospectus.

During the Track Record Period, we did not receive any complaint from our business partners, customers or any other parties in respect of any ESG issues and we have not experienced any material environmental or workplace safety incidents arising from our operations. Our Directors further confirm that our Group had not been involved in any material non-compliance issues in respect of any applicable laws and regulations associated with ESG during the Track Record Period and up to the Latest Practicable Date.

We did not directly incur any cost of compliance with applicable ESG-related rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable ESG-related rules and regulations in the future.

As a recognition of our efforts to promote corporate social responsibility, we were awarded with "Caring Company" by the Hong Kong Council of Social Service consecutively for 12 years from 2007 to 2019.

Going forward, our Board will be responsible for establishing, adopting and reviewing our ESG policies and to evaluate, determine and address our ESG-related risks once a year. Necessary improvement will then be implemented to mitigate the risks.

## TAXATION AND RELATED ARRANGEMENTS

Our business is primarily based in Hong Kong and we sell our products to end customers and resellers/wholesale customers located in different jurisdictions mainly through our E-commerce platforms. Based on the Company's experience in our industry, established common practice for professional tax management to deal with indirect tax matters in different jurisdictions which arise from sales of tangible products through E-commerce platforms is very limited. In particular, it has become increasingly common for relevant tax authorities to impose value-added tax ("VAT")/goods and services tax ("GST")/sales tax (collectively, "indirect tax") collection and payment obligations on product or service vendors which do not have physical presence in their respective jurisdictions over time. In June 2019, YesStyle.com Limited ("YesStyle") was notified by the Australian Taxation Office of YesStyle's requirement to be registered for GST retrospectively from 1 July 2018 due to the introduction of new GST law in Australia. We

then engaged a tax adviser to advise on the requisite registration procedures and liability assessment. The case was closed in December 2019 upon the registration and payment of historical GST by YesStyle. As global and local laws and regulations concerning online sales continue to evolve, we were of the view that we may be subject to potential indirect tax exposure where we are required to collect and remit indirect tax in respect of other jurisdictions where our customers are located. Therefore in March 2020, we engaged PricewaterhouseCoopers Limited (the “**Indirect Tax Consultant**”) to provide professional tax review and consulting services with respect to our indirect tax compliance obligations for our E-commerce businesses conducted by (i) YesStyle and YesAsia.com Limited (“**YesAsia**”) on our E-commerce sales to retail customers (the “**E-commerce retail transactions**”) and (ii) YesAsia Trading (Hong Kong) Limited (“**YAT**”) on our E-commerce sales to resellers/wholesale customers (the “**E-commerce wholesale transactions**”) for the sales to the U.S. market during the two years ended 31 December 2019 and for the nine months ended 30 September 2020 (the “**U.S. Sales Tax Review Period**”)<sup>(1)</sup>; and for the sales to the non-U.S. markets during the two years ended 31 December 2019 and for the eight months ended 31 August 2020 (the “**Non-U.S. Indirect Tax Review Period**”)<sup>(2)</sup>.

### **Tax Risk Assessment Results**

In respect of our E-commerce retail transactions, our Indirect Tax Consultant reviewed a total of 59 jurisdictions<sup>(3)</sup> that collectively account for approximately 98.5%, 98.2% and 99.7% of the total revenue of YesStyle and YesAsia during the relevant periods. As advised by our Indirect Tax Consultant, among the jurisdictions under review, YesStyle and YesAsia (as the case may be) had non-compliance issues according to the latest applicable indirect tax laws and regulations in certain jurisdictions and have subsequently performed the requisite tax registrations and arranged for settlement of the historical indirect tax payments in the U.S., Australia, Switzerland and New Zealand where YesStyle and YesAsia are required to collect and remit indirect tax for our E-commerce retail transactions. As advised by our Indirect Tax Consultant, we have completed the requisite tax registrations and settlement of late indirect tax payments (including interest and penalties) in the relevant jurisdictions for YesStyle and YesAsia. Furthermore, the Group has established reasonable procedures to ensure compliance in the indirect tax rules in the abovementioned jurisdictions since July 2020.

<sup>(1)</sup> We started collecting state and local sales tax from our E-commerce retail customers in the U.S. since the implementation of the whitelist process from 1 July 2020 and after the completion of the relevant tax registration procedures in the relevant U.S. states before 30 September 2020.

<sup>(2)</sup> We started collecting indirect taxes from our E-commerce retail customers in Australia in July 2019 and in Switzerland and New Zealand since the implementation of the whitelist process from 1 July 2020 and after the completion of the relevant tax registration procedures before 31 August 2020.

<sup>(3)</sup> These jurisdictions include Australia, Austria, Belgium, Brazil, Brunei Darussalam, Bulgaria, Cambodia, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kuwait, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Morocco, Netherlands, New Zealand, Norway, Oman, Peru, Philippines, Poland, Portugal, Qatar, Romania, Saudi Arabia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom, the U.S. and Vietnam.

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In respect of our E-commerce wholesale transactions, our Indirect Tax Consultant reviewed a total of 10 jurisdictions<sup>(1)</sup> that collectively account for approximately 80.7%, 73.9% and 73.2% of the total revenue of YAT during the relevant periods. As advised by our Indirect Tax Consultant, YAT is compliant in all material aspects with U.S. state and local sales tax and non-U.S. indirect tax rules as it either has established reasonable procedures to collect and validate resale or exemption certificates or evidence of indirect tax registration from its resellers or online wholesale customers respectively in the U.S. and non-U.S. markets, or YAT has no indirect tax obligations under the domestic tax regulations in the jurisdictions under review during the relevant periods.

The aggregate amount of indirect tax payment exposure to the Group for our E-commerce retail transactions for the two years ended 31 December 2020 was approximately US\$2.4 million<sup>(2)</sup> and US\$2.2 million, respectively. The interest and penalty for late sales tax payment for the two years ended 31 December 2020 were US\$0.2 million<sup>(1)</sup> and US\$0.1 million, respectively. As of the Latest Practicable Date, we have settled approximately US\$4.9 million of such indirect tax payment exposure to the authorities in the relevant jurisdictions. Our reporting accountant confirmed that sufficient provisions have been made in our accountant's report where revenue figures are presented net of the amount of the indirect tax payment exposure while the interest and penalty are presented under the line item of "Others" under administrative expenses for the relevant reporting periods. The indirect tax liabilities that were subsequently settled have been recorded as operating cash outflow during the year ended 31 December 2020, with the outstanding liabilities being recorded under other payables as of 31 December 2020.

Apart from the indirect tax obligations for E-commerce retail transactions in the U.S., Australia, Switzerland and New Zealand as further elaborated below, we are compliant in all material aspects with the indirect tax rules in the remaining jurisdictions under review where we conduct our E-commerce retail transactions and E-commerce wholesale transactions. Save as disclosed above, no material additional indirect tax payment, penalty or interest payment associated with late payment of historical indirect tax are expected to be due and payable by the Group.

In addition to the settlement of historical indirect tax matters, we have also adopted relevant procedures for the collection of indirect tax from our customers in the relevant jurisdictions since July 2020. Our Directors confirm that there has been no material adverse impact to our business and financial performance since the implementation of the relevant measures. For details relating to our measures in place to ensure ongoing compliance with indirect tax obligations, please refer to the section headed "Internal Control Measures" below.

Furthermore, pursuant to the Deed of Indemnity, the Controlling Shareholders have jointly and severally undertaken to indemnify us against all costs, expenses, interests, penalties or other liabilities which we may incur in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of

<sup>(1)</sup> These jurisdictions include Australia, Cambodia, Canada, Hong Kong, New Zealand, Norway, Philippines, Switzerland, United Kingdom and the U.S.

<sup>(2)</sup> Including the indirect tax, interest and penalty liabilities of approximately US\$193,000 and US\$18,000 respectively for E-commerce retail transactions took place during the year ended 31 December 2018.

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any person, authority or body (collectively, the “**Indirect Tax Claim**”) in connection with our non-compliance of our indirect tax obligations arisen as a result of or in consequence of any event or transaction occurred on or before the date on which the conditions set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering” (the “**Relevant Date**”) of this prospectus are fulfilled, to the extent that such Indirect Tax Claim has not already been settled with the relevant authorities on or before the Relevant Date. Subject to the terms and conditions of the Deed of Indemnity, the Sole Sponsor confirms that any indirect tax non-compliance exposure incurred by us on or before the Listing Date will be fully indemnified by the Controlling Shareholders.

### *U.S.*

As advised by our Indirect Tax Consultant, out-of-state vendors, including non-US vendors, may have sales tax nexus based on such vendors having an economic presence. On 21 June 2018, the US Supreme Court in *South Dakota v Wayfair, Inc.* 138 S. Ct. 2080 (2018) ruled that “substantial nexus” exists between out-of-state vendors and South Dakota by virtue of economic and virtual contacts with the state. Subsequently, many states enacted similar “economic nexus standard” (the “**Relevant Enactment**”) through adopting the nexus thresholds based on sales revenue and/or transaction volume as the basis for imposing sales tax collection requirements causing vendors without physical presence selling to U.S. customers to now have sales tax nexus.

As advised by our Indirect Tax Consultant, since neither YesStyle nor YesAsia has any physical presence (such as a location, employees, or inventory) in any state of the U.S., it does not believe the physical presence standard to be applicable in determining whether YesStyle and YesAsia had sales tax nexus in any state in the U.S. prior to the Relevant Enactment. As advised by our Indirect Tax Consultant, subsequent to the Relevant Enactment, YesStyle and YesAsia are deemed to have an economic nexus with certain states where our customers are located and therefore, have the obligation to collect and remit state and local sales tax for the U.S. Sales Tax Review Period. The aggregate amount of U.S. state and local indirect tax exposure, interest, and penalty to the Group was approximately US\$4.2 million for our E-commerce retail transactions for the U.S. Sales Tax Review Period.

As of the Latest Practicable Date, each of YesStyle and YesAsia has registered with the relevant tax authorities in the U.S. to collect and remit state and local sales tax in the states with which YesStyle or YesAsia, respectively, has determined to have sales tax nexus. We have fully settled the relevant amount (comprising approximately US\$4.0 million payment and US\$0.2 million payment settled during the year ended 31 December 2020 and the three months ended 31 March 2021 respectively). Thereafter, we do not expect to be subject to further late indirect tax payment, interest or penalty for the U.S. Sales Tax Review Period.

***Australia***

Effective from 1 July 2018, Australian GST applies to sales of low-value goods with a value of A\$1,000 or less imported by consumers into Australia. As advised by our Indirect Tax Consultant, YesStyle and YesAsia are required to collect and remit GST to Australian Taxation Office on sales of low-value goods to individual customers in Australia.

As of the Latest Practicable Date, each of YesStyle and YesAsia has registered with the relevant tax authority to collect and remit GST on our relevant sales of low value goods. We have fully settled an amount of approximately US\$0.4 million of indirect tax liability (without interest or penalty imposed) in December 2019 for the E-commerce retail transactions of YesStyle in Australia that took place during 1 July 2018 to 31 March 2019 upon agreement with the Australian Taxation Office. Thereafter, we do not expect to be subject to payment of any late indirect tax payment, interest or penalty imposed by the relevant tax authority.

***Switzerland***

Effective from 1 January 2019, Swiss VAT applies to sales of goods imported into Switzerland with an annual turnover of at least CHF100,000 from small consignments. As advised by our Indirect Tax Consultant, YesStyle is required to collect and remit VAT in respect of its sales to individual customers in Switzerland. The aggregate amount of indirect tax exposure and interest to the Group was approximately US\$0.2 million for our E-commerce retail transactions for the Non-U.S. Indirect Tax Review Period.

As of the Latest Practicable Date, YesStyle has registered with the relevant tax authority to collect and remit VAT on our relevant sales to individual customers in Switzerland. We have fully settled the relevant amount (comprising approximately US\$0.2 million payment and US\$1,000 interest settled during the year ended 31 December 2020 and the six months ending 30 June 2021 respectively). Thereafter, we do not expect to be subject to further late indirect tax payment, interest or penalty for the Non-U.S. Indirect Tax Review Period.

***New Zealand***

Effective from 1 December 2019, New Zealand GST applies to sales of low-value goods imported into New Zealand with a value of NZ\$1,000 or less, if sales of low-value imported goods to customers in New Zealand exceed NZ\$60,000 in a 12-month period. As advised by our Indirect Tax Consultant, YesStyle is required to collect and remit GST on sales of low-value goods to individual customers in New Zealand. The aggregate amount of indirect tax exposure and interest to the Group was approximately US\$0.2 million for our E-commerce retail transactions for the Non-U.S. Indirect Tax Review Period.

As of the Latest Practicable Date, YesStyle has registered with the relevant tax authority to collect and remit GST on our relevant sales of low value goods. We have fully settled the relevant amount during the year ended 31 December 2020. Thereafter, we do not expect to be subject to further late indirect tax payment, interest or penalty for the Non-U.S. Indirect Tax Review Period.

**Internal Control Measures**

We have put in place the following enhanced corporate governance and operational measures to ensure that we will comply with relevant tax laws and regulations in the context of our E-commerce retail transactions and E-commerce wholesale transactions:

- *Whitelist process.* Since 1 July 2020, the Group has implemented a policy (the “**Whitelist Process**”) to accept E-commerce retail orders only with delivery address located in countries or regions where proper sales tax compliance measures have been put in place by the Company (the “**Whitelist**”). We have adjusted our back-end IT system to ensure that the relevant indirect taxes applicable to the order delivery location are imposed and collected by our E-commerce retail customers at their order checkout. With respect to E-commerce wholesale orders, we require our customers to provide proper documentation substantiating their reseller/wholesaler status in the relevant jurisdictions, confirm their acceptance on indirect tax reporting requirements and payment of indirect tax obligations prior to accepting any orders from these customers.

Our Directors confirm that there has been no adverse impact to the operational and financial performance of the Group since the implementation of Whitelist Process given that most of our customers have been located on the Whitelist and the indirect tax obligations are imposed in accordance with the relevant indirect tax laws and regulations. Our Directors confirm that there has been no adverse impact to the number of E-commerce retail transactions and the average order size since the implementation of the Whitelist Process.

- *Direct supervision.* We have established a tax compliance committee (the “**Tax Compliance Committee**”) in October 2020 which is supervised directly by our Executive Director and Chief Executive Officer, Mr. Lau, and comprises our Executive Director, Wong Shuet Ha and Chief Financial Officer, Ng Sai Cheong. The Tax Compliance Committee is primarily responsible for, among other things, monitoring the developments in indirect tax laws and regulations in the countries and regions where we sell our products, reviewing our tax return submissions, applicable tax registration requirements and tax payments and ensuring compliance with the requisite indirect tax requirements.
- *Engagement of tax consultant.* We have engaged and will continue to engage an external tax consultant to provide professional tax consulting service for at least one full financial year after the Listing.
- *Professional Trainings.* The Group will engage external tax consultant to provide professional trainings at least once a year in relation to tax matters to the Tax Compliance Committee on updates to the tax rules and regulations in the jurisdictions to which we sell our products.

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- *Director briefings.* Our Directors and senior management and relevant staff of our Company will receive annual briefings conducted by our Tax Compliance Committee in relation to relevant tax laws and regulations, duty and liability of the member companies of our Group and the appropriate compliance measures to be taken.
- *Review by internal control consultant.* In July 2020, we have engaged RSM Consulting (Hong Kong) Limited (the “**Internal Control Consultant**”) to help optimize our risk management and internal control systems, including tax-related operational and risk management matters to ensure ongoing indirect tax compliance in jurisdictions where we sell our products. We have implemented on our E-commerce platforms an automatic tax rate calculation mechanism applicable to each destination jurisdiction. We will constantly monitor changes to indirect tax rules and policies/laws and regulations in jurisdictions where we sell our products and will make ongoing updates to such automatic tax rate calculation mechanism when and as necessary.

Our independent Internal Control Consultant conducted a detailed review on our internal control systems and corporate governance measures in relation to tax-related matters and noted that the aforesaid enhanced internal control measures have been implemented by our Company. The Internal Control Consultant is of the opinion that our current internal control systems and corporate governance measures are adequate and effective in minimizing the re-occurrence of any tax-related internal control deficiencies.

### **Directors’ and the Sole Sponsor’s views**

Our Directors consider that (1) the late payment of the historical indirect tax due in the U.S., Australia, Switzerland and New Zealand were due to the Group’s lack of familiarity with the new and evolving foreign indirect tax laws and regulations (including the relevant new enactments) and their applicability to our E-commerce business; (2) upon the completion of Indirect Tax Consultant’s review, we have proactively settled the historical indirect tax liabilities in the relevant jurisdictions where compliance requirements arise during the relevant periods; (3) save as disclosed above, we have not been in breach of any indirect tax laws or regulations and are not subject to any penalty in any material aspect as of the Latest Practicable Date as advised by our Indirect Tax Consultant; (4) none of the relevant incidents involves any fraudulent act by our then Directors, and did not result in any question being raised by any tax authorities as to the character or integrity of our then Directors; and (5) as confirmed by our Internal Control Consultant, we have sufficiently enhanced and strictly followed our internal control measures to be more promptly informed of any latest development in foreign tax laws and regulations of jurisdictions which our Company has sales coverage, and strengthened our financial and tax management monitoring functions. We are of the view that the late or non-payment of the historical indirect tax due in the U.S., Australia, Switzerland and New Zealand do not have a material financial or operational impact on the Group.

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Our Directors and the Sole Sponsor, after considering the above, are of the view that (1) our Directors have the standard of competence commensurate with the positions as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules and that the late payment of the historical indirect tax described above would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules, and (2) our enhanced internal control measures are adequate and effective under the Listing Rules.

### LICENSES, PERMITS AND CERTIFICATES

Our Directors and legal advisors, including our Hong Kong Counsel confirmed that, as of Latest Practicable Date, we were not required to obtain any industry specific license, permit or certificates for carrying out our business in Hong Kong, South Korea and Japan.

### REGULATORY COMPLIANCE

We are headquartered in Hong Kong and the substantial majority of our operations are in Hong Kong. The majority of our employees are located in Hong Kong.

Our Directors confirm that Hong Kong is the material jurisdiction in relation to our operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition, or results of operations. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business.

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### Failure to file notification forms with the Inland Revenue Department of Hong Kong within the prescribed time limit

Background of the non-compliance	Reason(s) for the non-compliance	Legal consequences and maximum potential penalty and provision made	Remedial actions taken and current status as at the Latest Practicable Date	Enhanced internal control measures
<p>The non-compliance relates to sections 52(4) and 52(5) of the Inland Revenue Ordinance (“IRO”), which require (i) notices (Form IR56E) to be filed within three months after the commencement of employment of the relevant employee, and (ii) notices (Forms IR56F) to be filed no later than one month before the expected date of cessation of employment of the relevant employee.</p> <p>During the Track Record Period, our Group (i) failed to give written notice (Form IR56E) in relation to 487 employees and (ii) delayed in filing Form IR56F in relation to 360 employees to the Inland Revenue Department (the “IRD”) within the required timeframe as stipulated above.</p>	<p>The non-compliance was unintentional and due to inadvertent oversight of our Group’s human resources and administrative staff who was responsible for employees records at the relevant time. Our Directors had no direct or willful involvement in the non-compliance.</p>	<p>Pursuant to section 80(1) of the IRO, any person who fails to comply with section 52(4) or 52(5) of the IRO without reasonable excuse commits an offence and would be liable on conviction to a maximum fine of HK\$10,000 for each charge or contravention.</p> <p>Considering that: (i) the non-compliance was due to the inadvertent oversight on the part of our Group’s human resources and administrative staff; (ii) our Group has no intention to avoid tax because our Group has, during the Track Record Period, duly filed with the IRD the relevant employer’s returns (Form IR56B), which contained the employees’ details and their remunerations and pensions; (iii) upon inquiry with the IRD on 9 November 2020 by our legal representative calling the general enquiry hotline of the IRD, we were informed that the outstanding Forms IR56E were not required to be submitted since the relevant employer’s returns (Form IR56B) had been submitted with the IRD each year and our Group has not received any rectification request from the IRD; and (iv) there has been no prosecution under these two sections since 2006 as evidenced by the prosecution cases statistics published in the website of the IRD, our Hong Kong Counsel is of the view that the chance of prosecution against our Group and/or our Directors is remote. Even if there is any prosecution and conviction, the chance of being imposed a maximum sentence is low.</p> <p>As at the Latest Practicable Date, our Group has not received any notice from the IRD regarding the said non-compliances.</p> <p>Based on the above, no provision has been made in respect of the potential fines by our Group.</p>	<p>During the Track Record Period, our Group has filed Form IR56B for our employees on a timely basis.</p> <p>Upon inquiry with the IRD on 9 November 2020 by our legal representative calling the general enquiry hotline of the IRD, we were informed that the outstanding Forms IR56E were not required to be submitted since the relevant employer’s returns (Form IR56B) had been submitted with the IRD each year and our Group has not received any rectification request from the IRD.</p> <p>Our Directors confirmed that our Group has, since 31 March 2020, complied with the requirements and timely filed all required Form IR56E and Form IR56F with the IRD, and there has not been any recurrence of similar types of non-compliance since then.</p>	<p>As at the Latest Practicable Date, we have already established and maintained a control list to monitor the status of commencement and cessation of employment of our employees, which we will review and update on a monthly basis, so as to ensure compliance with the relevant filing requirements.</p>

**SANCTIONED COUNTRIES**

During the Track Record Period, we made sales and deliveries of our mostly Asian-origin products to the Relevant Regions which are countries subject to International Sanctions. Among the Relevant Regions, Iran and Crimea are subject to comprehensive U.S. economic sanctions. To the best knowledge of our Directors, our revenue derived from the sales and deliveries to the Relevant Regions subject to International Sanctions amounted to approximately USD0.6 million, USD1.2 million and USD1.1 million, respectively, representing approximately 0.7%, 1.0% and 0.7% of our total revenue for the three years ended 31 December 2020, respectively.

**Sanctions Risk**

The U.S. and other jurisdictions or organizations, including the EU, the UN, the U.K., the United Kingdom overseas territories and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. For a summary of the sanctions regimes imposed by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia, please refer to “Regulatory Overview — Sanctions Laws and Regulations” in this prospectus.

**U.S.***Primary sanctions risk*

As advised by our International Sanctions Legal Advisors, U.S. primary sanctions are applicable to activities involving a U.S. nexus such as funds transfers in U.S. currency that clear through the U.S. financial system or are processed by U.S. payment processors. From 1 January 2015 to 31 December 2020 (covering at least a five-year period pursuant to the applicable statute of limitations under the OFAC rules), our Group received 28 payments in an aggregate amount of approximately US\$1,344.89 for U.S. dollar-denominated transactions in relation to Crimea and Iran which are countries/regions subject to comprehensive U.S. economic sanctions. Our customers involved in these transactions are not a Sanctioned Person. Since 1 July 2020, we ceased all transactions in relation to Crimea and Iran. As advised by our International Sanctions Legal Advisors, such U.S. dollar denominated transactions in relation to Crimea and Iran are violations of U.S. primary sanctions laws that prohibit the use of U.S. financial system for this type of trade with Crimea or Iran and the base penalty amount is up to US\$672.46 according to the OFAC Enforcement Guidelines. In order to address our potential violation, we had made an initial notification of VSD on 9 October 2020 and a full VSD report on 25 February 2021 to OFAC regarding such transactions. In addition, from 1 January 2015 to 31 December 2020, our Group made one sale of U.S.-origin cosmetic product to a customer in Crimea, for which we received a payment in an amount of GBP98.22 (approximately US\$114.21). Since 1 July 2020, we ceased all transactions in relation to Crimea. Our customer involved in this transaction is not a Sanctioned Person. As advised by our International Sanctions Legal Advisors, such sale of a U.S.-origin product appears to be in violation of EAR, which is applicable to this transaction with Crimea because of the U.S.-origin product involved,

and the base penalty amount is up to US\$57.10 according to the BIS Enforcement Guidelines. In order to address our potential violation, we had made an initial notification of VSD on 15 October 2020 and a full VSD report on 25 February 2021 to BIS regarding this transaction. Up to the Latest Practicable Date, as advised by our International Sanctions Legal Advisors, our Directors confirm that we had not received feedback or response from OFAC or BIS in respect of our VSDs submitted in February 2021. As advised by our International Sanctions Legal Advisors, OFAC and BIS are not subject to a statutory or regulatory timeframe to complete its review of our VSDs. It usually takes six to nine months to conclude a case after a full VSD is submitted but it is not uncommon for OFAC or BIS to take several years before concluding a case. It is believed that the progress of OFAC's and BIS's review of our VSDs to a certain extent was affected by the office closure and/or remote working arrangements due to the COVID-19 outbreak. We will, as soon as practicable after OFAC or BIS closes out our case, make appropriate disclosure and/or announcement in accordance with the applicable Listing Rules. Our International Sanctions Legal Advisors have advised us that, based on their experience in working with companies presenting similar facts before OFAC and BIS, they believe that OFAC and BIS will likely close this matter by issuing a cautionary letter to our Group without imposing any penalty. If OFAC and BIS were to impose monetary fines, such penalty amount is likely to be further reduced by OFAC and BIS from the base penalty amount during a negotiated settlement process by taking into account of mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC and BIS. Our International Sanctions Legal Advisors have further advised us that the potential penalty to OFAC would most likely range from USD268.98 to USD470.71 after mitigation, and the potential penalty to BIS would most likely range from USD2.84 to USD39.97 after mitigation.

Moreover, as advised by our International Sanctions Legal Advisors, our business dealings with the Relevant Regions other than Crimea and Iran were not inconsistent with the applicable primary U.S. sanctions, given that (i) we have not undertaken, either directly or indirectly, a contract or any other activity with a counterparty, nor have otherwise provided goods or services to any person, in Cuba, North Korea, or Syria; and (ii) none of the counterparties in the Relevant Regions have been designated on the SDN List during the Track Record Period.

#### *Secondary sanctions risk*

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in dealings with Iranian SDNs or with certain types of industries in Iran even if no SDNs are involved, as well as those who "operate in" Crimea. As advised by our International Sanctions Legal Advisors, as (i) we do not have any dealings with North Korea, Syria or Cuba, during the last five years; (ii) our list of customers from the Relevant Regions screened did not reveal matches to any SDNs; (iii) the nature of our products sold and delivered to non-SDNs in Iran should not trigger Iran-related secondary sanctions targeting certain industries or products; and (iv) our arms-length sales to a customer would highly unlikely be viewed as "operating in" the Crimea region, our business dealings did not implicate secondary U.S. sanctions.

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*UN, EU, U.K., United Kingdom overseas territories and Australia*

As further advised by our International Sanctions Legal Advisors, our business dealings in the Relevant Regions do not implicate restrictive measures adopted by the UN, the EU, the U.K., the United Kingdom overseas territories and Australia. For a summary of the sanctions regimes imposed by these countries, please refer to “Regulatory Overview — Sanctions Laws and Regulations” in this prospectus.

We have notified the relevant payment gateways through which we received payments from Crimea and Iran (our Directors confirm that all payments from Crimea and Iran were directly received from the relevant payment gateways instead of banks) of the fact that we had transactions with Crimea and Iran during the Track Record Period. As of the date of this prospectus, the relevant payment gateways had not suspended or terminated their business relationships with us, such as deactivating or freezing our accounts, withholding payments to us or terminating our loans or banking facilities.

As advised by our International Sanctions Legal Advisors, apart from (i) the Group’s U.S. dollar-denominated sales and deliveries of our non-U.S. goods to Iran and Crimea which have implicated restriction as a result of Primary Sanctioned Activities and under the US primary sanctions due to U.S. Dollar payments received for such sales and deliveries that USD-denominated funds transfers were processed through the U.S. financial system; and (ii) the Group’s sale and delivery of U.S. origin cosmetic product to Crimea which has implicated restriction under the EAR due to sale and delivery of U.S.-origin goods to Crimea and thus constituted Primary Sanctioned Activities, we did not engage in other Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period.

Given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisors are of the view that the involvement by parties in the Global Offering will not impose material risks on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company’s or our subsidiaries’ investors, shareholders as well as the Stock Exchange and its related group companies (including HKSCC, HKSCC Nominees Limited and the SFC).

Please refer to “Risk Factors — Risks Related to Our Business and Industry — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the U.S., the EU, the UN, Australia and other relevant sanctions authorities.” for further details regarding sanctions risks.

### **Our undertakings and internal control procedures**

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is specifically identified on the

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SDN List maintained by OFAC or other restricted parties lists maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories and Australia. Further, we have undertaken not to use the proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of international sanctions laws by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports (i) details of any new activities in the Balkans region (which is not subject to comprehensive sanctions that are territorial in nature and as advised by our International Sanctions Legal Advisors, subject to the proper implementation of the relevant internal control and risk management measures, we are in compliance with the relevant sanction regulations for our transactions with customers in the Balkans regions (who are not designated as SDNs nor owned by SDNs at 50% or greater level)) or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in Sanctioned Countries and with Sanctioned Persons.

Since 1 July 2020, we have ceased all business activities in connection with the Sanctioned Countries and all of the Relevant Regions, except for the countries in the Balkans region, which are not subject to comprehensive sanctions that are territorial in nature. We have no present intention to undertake any future business or make any future sales to Sanctioned Countries or with Sanctioned Persons. To the best knowledge of our Directors, our revenue derived from sales and deliveries to Sanctioned Countries (including Iran and Crimea) amounted to only approximately USD778, USD1,712 and USD110, respectively, representing less than 0.1% of our revenue for each of the three years ended 31 December 2020, respectively. As a result, our Directors consider that the cessation of business with the Sanctioned Countries will not have any material impact on our financial position and business operations. As advised by our International Sanction Legal Advisers, subject to the proper implementation of the relevant internal control and risk management measures, we are in compliance with the relevant sanction regulations for our transactions with customers in the Balkans regions (who are not persons designated as SDNs nor owned by SDNs at 50% or greater level) The following internal control and risk management measures have been fully implemented as at the Latest Practicable Date:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;
- to further enhance our existing internal risk management functions, our risk and compliance committee (the “**Risk and Compliance Committee**”), supervised directly by our Executive Director and Chief Executive Officer, Mr. Lau, and comprises our Chief Financial Officer, Ng Sai Cheong and Wan Siu Chung, is responsible for monitoring our exposure to sanctions risks and our

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implementation of the related internal control procedures. Our Risk and Compliance Committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we have set up and maintained Geo-block and Sanctioned Persons-block applications. Our e-commerce platform have adopted geo-block to make sure that users with IP addresses from Sanctioned Countries are prohibited from making purchases on our platform, and will implement a block that sales cannot be made to any Sanctioned Countries (even if the customer/purchaser is using an IP address from a non-sanctioned country) except the countries in the Balkans region, which are not subject to comprehensive sanctions that are territorial in nature. We have set up background programmes to block (a) sales and/or shipments to parties with the names or addresses which are identical to any Sanctioned Persons and (b) sales paid by parties with the names or addresses which are identical to any Sanctioned Persons even if the receiving party is not the same as the party making the purchase/payment on our platform (the block will screen both the customer/payor as well as the recipient for each sale to ensure that no party to the sales transaction is a Sanctioned Person);
- no products will be procured, directly or indirectly, from Sanctioned Countries or Sanctioned Persons. Any new product procurements in Sanctioned Countries or with Sanctioned Persons will be referred to the Risk and Compliance Committee for their evaluation;
- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, our Risk and Compliance Committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, screening process will be implemented to identify if any person or entity on the various lists of restricted parties and countries maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available is trying to use the Group's e-commerce platforms. The transactions that fail the internal review will be terminated. At the same time, our Risk and Compliance Committee should, per the updates of the sanctions lists on the official authoritative websites, periodically review the existing customers and suppliers lists to ensure that the Group does not have transactions with countries, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from our external international legal counsel with necessary expertise and experience in International Sanctions matters;

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- using a compliance clause in contracts with the Group's counterparties (including but not limited to customers and suppliers) or request a separate certification from the counterparties confirming that the Group's products will not be exported outside the destinations where the product is sold or will not be exported, directly or indirectly, to any Sanctioned Countries or any Sanctioned Person;
- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;
- our Risk and Compliance Committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our Risk and Compliance Committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- if necessary, we will arrange external international legal counsel to provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Persons. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our International Sanctions Legal Advisors have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Group, based on our products and risk assessment, to comply with applicable international sanction laws and our undertakings to the Stock Exchange.

Having taken into account the above advice of our International Sanctions Legal Advisors, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. Subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

## **LITIGATION AND CLAIMS**

During the Track Record Period, and in our ordinary course of business, we have been notified by, or received claims from, certain customers or intellectual property rights owners of products relating to trademark or design matters, product description and warning of third-party products offered for sale on our platforms. We have performed internal investigation on such matters, reviewed our internal control policies and consulted our legal advisers, removed relevant products where deemed appropriate and settled all the claims upon mutual agreement with the relevant parties. Our Directors believe that these matters, individually or collectively, had no material impact on our operations, financial condition and reputation. See the section headed “Risk Factors — Risks Relating to Our Business and Industry.”

### *Product warning and description*

In October 2020, YesStyle.com Limited (“**YesStyle**”) received a claim from a private attorney in California (the “**Claim**”) alleging that with respect to a certain product sold by YesStyle on its website, YesStyle had failed to comply with a California law, known as “Proposition 65”, requiring consumer warnings in connection with the sale of products containing certain chemicals (the “**Law**”). As advised by our US Legal Advisors, the management of YesStyle (the “**Management**”) were of the view that YesStyle had a strong defense to the Claim under recent changes to the Law which became effective in April 2020 (the “**2020 Amendment**”) — specifically that no warning had been provided by the manufacturer of the product and YesStyle had no notice that the product contained a substance covered by Proposition 65. Despite the 2020 Amendment, the management determined that it would be advisable to settle the Claim at an early stage rather than incurring additional time and costs to defend the Claim as well as diversion of management resources. As a result, YesStyle entered into a settlement agreement with the claimant on 23 October 2020 under which YesStyle did not admit any facts or violation of law, and also denied any liability but paid a total of US\$21,500 in consideration of the settlement. The settlement agreement also provided that YesStyle did not admit to the applicability of US law or jurisdiction to YesStyle.

Sale of the product named in the Claim accounted for less than US\$50 during the Track Record Period. In light of the quantum of the settlement amount and nature of the Claim, our Directors are of the view that the Claim is not likely to materially and adversely affect our business, financial condition, or results of operations. Apart from the Claim and to the best knowledge of our Directors, there are no actual or pending claims against the Group with respect to such Law as at the Latest Practicable Date. Further, given the 1-year statute of limitation for the Law, YesStyle considers that the risk of successful claim against YesStyle for non-compliance with the Law in respect of products sold during the Track Record Period to be low. Going forward and in order to ensure compliance with the Law, YesStyle has updated its internal manual and informed its staff that if they receive from the manufacturer or have knowledge of any warning information of any product sold to California, a proper warning label should be added to that product.

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In November 2017, as an independent contractor providing administrative and maintenance services to an online store owned by Florich Trading Company Limited (“**Florich**”), we received an administrative penalty notice from Shanghai Pudong New Area Market Supervision Administration (the “**Administration**”) in the amount of RMB60,000 for product description discrepancy between the actual product labelling and advertisement content of a baby bedding product offered on the online store owned by Florich. The administrative penalty paid by us to the Administration was fully indemnified and reimbursed by Florich in December 2017. We did not renew our independent contractor service to Florich and such service ceased from February 2018.

Our Directors are of the view that the incidents above do not have any material adverse impact on our operations, financial condition and reputation. In relation to the aforementioned incidents, we have adopted additional internal control measures to prevent reoccurrence of similar incidents in the future:

- (i) As advised by our US Legal Advisors, we have displayed requisite compliant warning to customers in California who intend to purchase products from our E-commerce platforms which contain chemicals within the scope regulated by Proposition 65. We have also provided guidance to our employees to apply appropriate warning labels on certain products if such products require warning labels under the laws of California;
- (ii) In relation to labelling and warning instructions on our products, our product team will conduct annual review on the updated product safety and consumer protection legislations. The Group will update its internal control policies and operation protocols in response to any changes to the relevant laws and regulations as and when necessary;
- (iii) We only publish product information obtained from official sources and/or from suppliers, including websites of the suppliers;
- (iv) We have and will continue to request for the signing of vendor acknowledgement letters with suppliers of our key products to enhance our legal protection on product information provided by our suppliers and displayed on our websites; and
- (v) We will engage legal advisers to review whether our Group’s obligations on product description and warning have been discharged under our commercial arrangement with product suppliers and our customers to ensure compliance as and when necessary.

For further details of our internal control of product liability, see the section headed “Business — Internal Control — Internal control of product liability”.

Save as disclosed above, we were not subject to any product warning and description claims during the Track Record Period. As of the Latest Practicable Date, we are not involved in and are not aware of any material product warning and description claim or threat by our retail customers or third parties.

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For risks relating to product liability, description, warnings and labelling, see the section headed “Risk Factors — Risks relating to Our Business and Industry — Products we sourced from our suppliers may subject us to potential claims relating to product liability, description, warnings and labelling, which may materially and adversely affect our business and our reputation.” For risks relating to international laws and regulations, see the section headed “Risk Factors — Risks relating to Our Business and Industry — Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with.”

### *Intellectual property*

In April 2019, a claim was brought against our subsidiary YesStyle in the U.S. District Court for the Northern District of Illinois, in which the claimant alleged that YesStyle had offered on its website and sold counterfeit products (i.e. eyewear products and gloves) that infringed the claimant’s trademarks and design patents. The products named in the lawsuit had been sourced by YesStyle from China-based wholesalers. The claimant requested monetary damages, as well as an injunction to stop sales of these and any other products that infringed their intellectual property rights. In response to the claim, YesStyle initiated an internal investigation to determine the authenticity of the claim. The results of the investigation indicated that most of the instances of infringement alleged by the claimant did not arise from actual sales of counterfeit products but from inaccurate product images provided by our suppliers, which were displayed on the YesStyle website. The order amounts of the products related to the alleged claim was approximately US\$140, US\$295 and nil for the three years ended 31 December 2020, respectively, and we have immediately ceased the sale of such products since the alleged claim was received in April 2019. With the aim to avoid possible prolonged and costly litigation proceedings in the United States, which would divert the attention of the management, we paid the claimant a settlement amount without acknowledging or admitting any wrongdoing, liability or unlawful conduct of any kind, and agreed to an injunction against YesStyle enjoining YesStyle from offering unauthorized versions of the claimant’s products or violating certain of the claimant’s intellectual property rights, and the claimant agreed to release YesStyle from all claims relating to such matter.

Taking into account the nature and background of this claim (including the settlement amount and low sales volume of the subject products), our Directors are of the view that this incident does not have a material impact on our Group’s operations, financial condition and reputation. To minimize the chance of future inadvertent sale of counterfeit products, our product team has implemented more rigorous random quality and authenticity inspection of our products, to ensure they are in compliance with our standards before being introduced to our websites.

In August 2019, we were informed by an alleged individual copyright owner by email on the potential reproduction of her original illustration in a t-shirt offered for sale on *YesStyle.com*, and she requested for a worldwide license fee of EUR400. Sale of the alleged products accounted for less than US\$26,000 during the Track Record Period. To avoid diverting attention of our management, we settled with such alleged individual copyright owner upon payment of the requested amount in the same month.

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## BUSINESS

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Our Directors are of the view that the incidents above do not have any material adverse impact on our operations, financial condition and reputation. We have adopted the following additional internal control measures to prevent reoccurrence of similar incidents in the future:

- (i) We have removed the alleged products and other similar products available for sale on our websites promptly upon internal investigation;
- (ii) We have strengthened our internal control measures over product information displayed on our websites. The product information, such as product description and photos must be provided by the suppliers and reviewed by our product team and content team before publishing on our E-commerce platforms;
- (iii) We regularly check product information and images to be displayed on our E-commerce platforms against our internal database for any potential copyright or trademark infringements;
- (iv) We have and will continue to request for the signing of vendor acknowledgement letters with suppliers of our key products to enhance our legal protection on product information provided by our suppliers and displayed on our websites; and
- (v) We have purchased a cyber insurance policy to minimise the risk of loss from infringement. Such insurance policy covers against copyright, trademark, and domain name infringement, invasion of privacy, plagiarism, any false light, and related media content liabilities.

Save as disclosed above, we were not subject to any intellectual property claims during the Track Record Period. As of the Latest Practicable Date, we are not involved in and are not aware of any material intellectual property claim or threat by our retail customers or third parties.

For further details of our internal control of intellectual property, see the section headed “Business — Internal Control — Internal control of intellectual property”.

For risks related to infringement of intellectual property rights, see the section headed “Risk Factors — Risks Relating to Our Business and Industry — We are exposed to the risk of infringement of intellectual property rights owned by third parties.”

As at the Latest Practicable Date, none of our Directors or senior management were involved in any material litigation, arbitration, or administrative proceeding.

Having considered the nature and reasons for the historical incidents above and after reviewing the enhanced internal control procedures of our Group, nothing has come to the attention of the Sole Sponsor that our Group’s internal control measures are not adequate and effective.

## **INTERNAL CONTROL**

The well-being of our customers is our top priority. Our internal control policies provide sufficient guidelines for our management staff and employees to work efficiently under a standardized work procedure while maintaining flexibility and creativity that is essential to our business. Our internal control system is generally overseen by our chief executive officer with assistance from our chief financial officer.

### **Internal control on supplier selection**

We select new brands and suppliers based on the management's experience and market research data including the data to identify potential brands that are beneficial to our E-commerce platforms. Our management takes into account factors such as (i) whether the new brand and its products will fit the market position and the brand portfolio; (ii) whether the products made by the new brand and its products will improve the Group's sales volume; (iii) the demand for these products based on users' feedback and interest in these products; and (iv) the payment terms offered by the brand owners and suppliers. For existing brands, our management make use of sales volume data to predict the demand of the products in the coming season. In addition, all the new potential suppliers are subject to a background check by our product team before acceptance.

### **Internal control of materials posted on our websites and social media platforms by third-parties**

We have adopted measures to ensure that materials posted by us or our visitors on our websites and accounts on social media platforms do not violate relevant laws and regulations governing our business. We adopt quality control measures on our customers' online reviews. See "Quality Control — Quality control of our customer review content" in this section for more details. In addition, our content team screen and review the content submitted to our websites or social media platforms, and identify relevant issues to be discussed with our editorial team.

### **Internal control of inventory and delivery**

To reduce errors in delivery defective and incorrect goods, our warehouse team will perform checks on products when they arrive at our warehouse, tag products with barcodes, and connect them to our inventory management system. We will perform a second round of checks when we pack the orders.

In addition, complaints related to our products and delivery services are recorded, reviewed, and analyzed by our customer service team. Our logistics and service team will take remedial actions according to the request by our customer service team.

For details of our inventory management system and control of the delivery process, see "Inventory Management" in this section for more details. For details of our complaint handling procedures, please see "Customer Service and Aftersales Service — Return and exchange policies" in this section.

**Internal control of personal data privacy**

Security of customer accounts is one of our top priorities. Through customer's online sales order, newsletter subscription, account registration, as well as our influencer program and other marketing and promotional campaigns, we collect, receive, store, and process a variety of personal, transactional and behavioral data from our customers within the storage and retention period prescribed by applicable laws and regulations, after which the personal information will be securely deleted. We have measures in place to obtain explicit consent from data subject prior to the collection of their personal data and procedures for them to opt-out of their consent. Processing of personal data by the Group is governed by the organization-wide privacy policy, terms of use, and IT security policy.

We have formulated a privacy and security policy which is available on our websites, our customers are suggested to read the policy when they sign up an account with each website. We employ a secure server, through which all information input by our customers is encrypted by the SSL before being sent and is securely protected against unauthorised access. We normally store these data in our own encrypted database. We collect these data mainly for our procurement, promotional and customer service purposes, and will only share such data within our Group and, if necessary for normal business operations, to certain key service providers, such as shipping vendors, billing and refund vendors and payment processors. Data processing activities within our Group are registered and maintained in a record with data classification, legal justification and retention schedule defined. A data protection impact assessment is performed following the registry of each data processing activity and approved by our data protection officer. Our customers may also contact us to remove their personal information from our database.

With regards to the organizational and technical safeguards in-placed, trainings for data-related matters and privacy practice are scheduled to be provided to employees on an annual basis. Handling of personal data by our employees are governed by established business principles and ethical responsibilities as laid out in the employee's handbook. All employees are expected to understand and follow the provisions in the handbook with regards to the data governance of our Group. Such policies are circulated to all employees and administer the confidentiality and data privacy compliance requirements within the Group. Staffs processing personally identifiable information are also required to attend a data privacy related training that is scheduled annually. Similarly, all employees are required to accept and sign a general non-disclosure agreement statement, as part of their employment contracts. Any updates to the employee's handbook will be disseminated to all employees through email, and the employees are expected to read through and understand the updated provisions. Additionally, physical and logical access control management are also implemented and updated as necessitated with secure browsing and electronic data transfer configurations adopted.

We have engaged an independent IT Consultant, RSM Consulting (Hong Kong) Ltd., to review our IT systems and internal control policy on personal data protection measures, as well as the compliance with relevant data privacy laws and regulations in our key business jurisdictions. As advised by our IT Consultant, under General Data Protection Regulation ("GDPR"), European Union is the only jurisdiction where its data privacy

regulation has a worldwide coverage regardless of the registered location of the business. The review by our IT Consultant comprises a readiness assessment, gap analysis, gap fixing/remediation and re-assessment under our key business process areas. Based on the review procedures performed, our IT Consultant is of the view that our Group's internal control functions on personal data protection are adequate and effective, with no significant control deficiencies noted. Our IT Consultant also advised that our Group, in material respect, has complied with all the major provisions in GDPR. Our Directors believe we have applied adequate measures for safeguarding our visitors' and customers' personal information.

The Company's Hong Kong Counsel is of the view that the Company is in compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) in the operation of the business and no non-compliances are observed. With respect to South Korea and Japan, the Company's subsidiaries in South Korea and Japan, namely, YesAsia.com (Korea) Ltd. ("YA Korea") and YesAsia.com.Japan Kabushiki Kaisha (*iesu asia dotto comu japan kabushiki kaisha*) ("YA Japan"), do not operate online website of its own, and do not collect or otherwise process personal information of users. As such, the Company's legal advisors as to the laws of South Korea and Japan are, respectively, of the view that (i) the respective subsidiaries do not deal with personal information of its customers, and (ii) the respective subsidiaries are in compliance with the relevant data privacy laws and regulations pertaining to collection and processing of personal information of the employees. The Company's legal advisors as to the laws of South Korea and Japan are not aware of any breach of laws and regulations pertaining to data privacy by the respective subsidiaries based on their knowledge.

### **Internal control of foreign currency**

Our functional currency is U.S. dollar and a substantial portion of our cost of sales was denominated in RMB, Korean Won, Japanese Yen and Hong Kong dollar during the Track Record Period. Our E-commerce customers generally settle their invoices using their designated currencies upon checkout via secure payment gateways, and the fund is generally transferred to our Group's account in Hong Kong dollar and U.S. dollar. Fluctuations in the exchange rate between our functional currency and the other currencies could materially impact our reported results of operations and distort period to period comparisons. To minimize the impact of foreign currency rate fluctuation, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. For our E-commerce platforms transactions, we adopt internal currency rates for customers who checkout with currencies other than U.S. dollars. Such internal rates are determined by our Group according to the exposure of foreign currency rate, the cost to payment gateway and the historical trend of currency exchange. Our financial controller compares the Group's internal rates against the prevailing market rates on an ongoing basis and updates the internal rates if necessary, to maintain a premium over the market rates to hedge against possible currency exchange losses resulted from payment gateways currency conversion when collecting remittance from our customers.

Currently, we do not have a formal foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider to engage in derivatives markets or foreign exchange hedging measures to minimize against the risk when it is foreseen to be significant. In particular, our financial controller will prepare appropriate hedging plans for foreign exchange risks, such as the use of currency forward instruments for our pre-order offline B2B sales, which will be implemented upon approval of the management team, including our Chief Financial Officer and the Chief Executive Officer. Our financial controller will further monitor the hedging products on a regular basis and make quarterly report to the Board of Directors. For details of the foreign currency risk we are exposed to, please see “Risk factors — We are subject to risks associated with foreign exchange rate fluctuations.” and “Appendix I — 6. Financial Risk Management — (a) Foreign currency risk” in this prospectus.

### **Internal control of product liability**

We strive to ensure the safety and traceability of the products we offer. Apart from the purchase of product liability insurance and in order to monitor and control the product liability risk, our product team conducts thorough background checks on the product quality and safety before engaging any suppliers. Our warehouse team also performs quality and compliance check after the products arrive at our warehouse and before they are shipped to our customers, based on our internal guidelines. Our product team monitors the recent developments of applicable product safety and consumer protection laws and regulations in various jurisdictions and updates our internal guidelines accordingly. Our executive team conducts annual review to ensure that our products are in compliance with such laws and regulations.

We perform review of the engaged suppliers on a regular basis to ensure the continuous compliance of the products we offer and de-list such products with potential safety, quality and reliability issues at once. Having considered the information provided by the Company and the Internal Control Consultant, and subject to the full implementation and enforcement of the relevant internal control measures, nothing has come to the attention of the Sole Sponsor that our Group’s internal control measures are not adequate and effective.

### **Internal control of intellectual property**

We have engaged an external legal consultant for the registration and renewal of our intellectual property rights, as well as any intellectual property infringement claims. Our administration team maintains and reviews the documentation of original copyrightable works, registration and review of trademarks, patent or design rights on a regular basis to monitor the status.

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We purchase products directly from brand owners, authorised distributors, resellers, or through third-party E-commerce platforms. Our product team conducts background check of each potential new supplier to make sure the products sold are neither counterfeit, unauthorised nor contaminated before including them in our internal supplier list. For brand owners, we normally ask for their business registration documentation, check their official websites and obtain the testing reports or certificates of their products if available. For authorized distributors, we ask for documentations regarding the authorization status for our inspection. For resellers, we purchase sample products and ask for supportings of their sourcing channels to make sure the products are authentic. For E-commerce platform vendors providing us with fashion & lifestyle products, as such products are generally not categorized under brands, our product team evaluates the customer reviews and ratings of the suppliers and send the proposed suppliers to our product support team, who will procure sample products, conduct quality evaluation and make corresponding record in our system to secure the product safety.

According to our internal policy, the product information displayed on our platforms, such as product description and pictures shall be provided by the suppliers and reviewed by our product team and content team before being published on our platforms. Our production controlists under the content department perform regular checks against our internal database and make sure they are free of any potential copyright and trademark infringements at all times. Our content department takes to maintain the database to make sure it is up to date. We have published the intellectual property policy and relevant terms of use on our E-commerce platforms, specifying that the product contents are provided by our suppliers. An e-mail communication channel is available for our customers and visitors to raise claims and report any potential copyright infringements. Our customer service team are responsible for collecting and further reporting such claims and potential infringements to our management team for further actions. In addition, we have purchased a cyber insurance to minimise the risk of loss from intellectual property infringement, the policy covers claims against copyright, trademark, and domain name infringements, as well as invasion of privacy, plagiarism, false light, and other media content liabilities.

We have entered into legally binding agreements with our major Korean fashion and beauty suppliers, including brand owners, authorized distributors and resellers accounting for approximately 67.3% of the relevant Korean fashion and beauty product purchase amounts during the year ended 31 December 2020, where they are obliged to compensate our financial losses due to product liability and third-party infringements.

## **CORPORATE GOVERNANCE MEASURES**

To further enhance the quality of our corporate governance, our Group has adopted or intends to adopt the following measures:

- (a) our Directors attended a training session conducted by our Company's Hong Kong legal advisers on 29 September 2020 regarding the ongoing obligations, duties, and responsibilities of directors of publicly listed companies under the Companies (WUMP) Ordinance, the Companies Ordinance, the SFO, and the Listing Rules;
- (b) our Company has appointed Mr. Ng Sai Cheong as our company secretary. Mr. Ng will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory, and financial reporting compliance matters of our Group as well as the chief coordinator to oversee internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance, and recommendations from professional advisers before reporting to relevant members of our Group and/or our Board. Detail of Mr. Ng's qualifications and experience are set out in "Directors and Senior Management" of this prospectus;
- (c) our Company has appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Listing Rules;
- (d) our Group has established an audit committee with written terms of reference in accordance with the Listing Rules to review the internal control system and procedures for compliance with the requirements of the Listing Rules, the Companies Ordinance, and other applicable laws, rules and regulations;
- (e) our Company proposes to appoint an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing, and such appointment will be reviewed annually; and
- (f) our Company proposes to appoint external Hong Kong legal advisers, where applicable, to advise us on compliance with and to provide us with updates on the changes in the Listing Rules and the applicable Hong Kong laws, rules, and regulations from time to time to see if any change is required to be made with our operation and internal control system.

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With the assistance of our external legal advisers regarding Hong Kong law, the compliance adviser, the internal control consultant, and our company secretary, we aim to ensure that our Group's operations are in compliance with the applicable laws, rules, and regulations with respect to our business operations in Hong Kong. The internal control consultant will conduct regular internal control reviews of our operations and recommend remedial plans to our audit committee, which will then advise our Board on the implementation of any remedial plans should there be any material internal control deficiencies. Our Board will make final decisions on the implementation of the remedial plans. To ensure all the remedial plans are implemented, the internal control consultant will follow up and monitor the implementation and report to the audit committee regarding the progress and results of the remedial plans. Any material internal control failings, weaknesses, or deficiencies identified during the review process, and the relevant follow up or remedial measures (if applicable) taken by our Group, will be disclosed in our annual report after the Listing.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme), Mr. Lau and Ms. Chu will be directly holding 118,412,980 Shares (on an as-converted basis) and 29,235,550 Shares (on an as-converted basis) respectively, representing approximately 29.95% and 7.39%, respectively of the then issued share capital in the Company. Accordingly, Mr. Lau and Ms. Chu are our Controlling Shareholders. For the background of our Controlling Shareholders, please refer to the sections headed “Directors and Senior Management” in this prospectus.

### DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which each of our Controlling Shareholders (as covenantors) has irrevocably and unconditionally undertaken to and covenanted with our Company (for itself and for the benefit of the members of our Group) that during the continuation of the Deed of Non-Competition each of our Controlling Shareholders shall not, and shall procure each of his/her close associates (other than any member of our Group) will not, whether on his/her own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise, involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the procurement and sale of third-party branded and unbranded fashion & lifestyle, beauty and entertainment products to customers) in Hong Kong and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides such products or service and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”) except for the holding of not more than 5% shareholding interests in any listed company. Each of our Controlling Shareholders has represented and warranted to our Company that none of them nor any of his/her close associates (other than any member of our Group) is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has also further undertaken that if any of them and/or any of their close associates (other than any member of our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/she shall (i) promptly in any event within seven (7) Business Days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/her best endeavours to procure

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/her and/or his/her close associates (other than any member of our Group).

Our Directors (including our independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of our desire to invest in such New Business Opportunity within thirty (30) days of receipt of notice from the relevant Controlling Shareholder or has given written notice denying the New Business Opportunity, such Controlling Shareholders and/or his/her close associates (other than any member of our Group) shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord.

In addition, each of our Controlling Shareholders has also undertaken, upon Listing:

- (i) to provide our Company and our Directors (including our independent non-executive Directors) from time to time with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings in the Deed of Non-Competition;
- (ii) to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access (with reasonable prior notice) to the records of each of our Controlling Shareholders and his/her close associates to ensure their compliance with the terms and conditions under the Deed of Non-Competition; and
- (iii) abstain from voting at any general meeting of our Company for consideration and approval of the matters referred to in the Deed of Non-Competition if there is any actual or potential conflict of interests.

Further, each of Mr. Lau and Ms. Chu has undertaken that during the period in which he/she and/or his/her close associates (other than any member of our Group), individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/she will not solicit or interfere with or enticing any existing or then existing employee, customers or suppliers of our Group for employment by his/her own business (excluding our Group); and
- (ii) he/she will not, without the consent from our Company, make use of any information pertaining to the business of our Group (other than those information that has been published by our Company by way of announcements or public disclosure) which may have come to his/her knowledge in his/her capacity as our Controlling Shareholder for any purposes of engaging, investing or participating in any Restricted Business.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The Deed of Non-Competition will take effect upon the Listing Date and shall expire on the earlier of:

- (i) the day on which our Shares cease to be listed on the Main Board; or
- (ii) the day on which Mr. Lau and Ms. Chu and their close associates (other than any member of our Group), individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder or there is at least one other Shareholder (together, where appropriate, with his/her/its close associates) other than Mr. Lau and Ms. Chu and his/her close associates (other than any member of our Group) holding or being interested in, directly or indirectly, more Shares than Mr. Lau and Ms. Chu and his/her close associates (other than any member of our Group) taken together.

In order to strengthen the corporate governance in respect of any existing and potential conflict of interests between our Group and our Controlling Shareholders, upon Listing:

- (i) our Company shall disclose in the annual reports the compliance and enforcement of the undertakings by Mr. Lau and Ms. Chu (in their capacities as our Controlling Shareholders) under the Deed of Non-Competition and the appropriate action to be taken by our Company;
- (ii) our Company shall disclose the details and basis of decisions on matters reviewed by our Independent Non-Executive Directors in relation to the compliance and enforcement of the arrangement in respect of the New Business Opportunity in our annual reports;
- (iii) when any of our Executive Directors becomes aware of potential conflict of interests between our Group and Mr. Lau and Ms. Chu (in their capacities as our Controlling Shareholders) relating to the business of our Group, such Executive Director shall alert our Board, including our Independent Non-Executive Directors, to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules and to take any necessary actions;
- (iv) in the event that any of our Directors and/or his/her close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition or other proposed transactions in which such Director and/or his/her close associates have material interest, such Director would, according to the Articles or the Listing Rules, be required to declare his/her interests and, where required, abstain from participating in the relevant board meeting and voting on the transaction and not count as quorum where required; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (v) where advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including our Independent Non-Executive Directors), the appointment of such independent professional will be made at our Company's expenses.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

After considering the following factors, our Directors are of the view that our Company is capable of independently carrying on our business from, and does not place undue reliance on, our Controlling Shareholders:

#### **Financial Independence**

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

All of our bank borrowings currently secured or guaranteed by any of our Controlling Shareholders and/or Directors will be replaced by corporate guarantees provided by our Company upon or before Listing. Please refer to the section headed "Financial Information — Indebtedness" in this prospectus for further details. We will not rely on our Controlling Shareholders for financing after the Listing as we have sufficient working capital to operate our business independently. Upon Listing, our Directors believe that our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders.

Accordingly, our Directors are of the view that we are financially independent of our Controlling Shareholders.

#### **Operational Independence**

Our Group has established a set of internal control measures to facilitate the effective operations of our business. We do not rely on our Controlling Shareholders and their close associates for our finance, audit and control, sales and marketing, human resources, administration or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We are also in possession of all relevant licenses and own all relevant intellectual properties necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We have independent access to suppliers, customers and an independent management team to function independently.

Accordingly, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### Management Independence

We are able to carry out our business independently from our Controlling Shareholders and his or its close associates from a management perspective. Our Company maintains an independent Board to oversee our Group's business. Our Board is responsible for contemplating and approving business plans and strategies of our Group, monitoring the implementation of business plans and strategies and supervising the management of our Group. Our Group has an independent management team, which is led by a team of senior management with extensive experience and expertise in our business, to implement our Group's business plans and strategies in the daily operations.

Our Board consists of nine Directors, of whom three are Executive Directors and three are Non-executive Directors and three are Independent Non-executive Directors. Our Controlling Shareholders only form a minority of our Board. Our Independent Non-executive Directors represent one-third of the members of our Board. One out of three of our Independent Non-executive Directors is a registered certified public accountant of the Hong Kong Institute of Certified Public Accountants and all of our Independent Non-executive Directors are experienced in different areas of business. They have been appointed to oversee our Board, to ensure that there is no actual or potential conflict of interest or competition with our Controlling Shareholders and that the decisions of our Board will be made only after due consideration of independent and impartial opinions. Therefore, our Directors believe that the current composition of our Board will provide a balanced and diverse view which is in the benefit of our Group's future business decisions. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

Our Directors are of the view that our Board of Directors and senior management will function independently from our Controlling Shareholders for the following reasons:

- (i) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests to exist;
- (ii) the Articles of Association (which will be effective on the Listing Date) require a Director to declare his or her interest in any contract or arrangement in which he or she has an interest and he or she is not entitled to vote on (nor be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates has a material interest, except in certain prescribed circumstances, details of which are set out in the section headed "Summary of the Articles of Association" in Appendix III to this prospectus. The provisions of the Articles of Association ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of the Company and the Shareholders (including the independent Shareholders) taken as a whole;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (iii) following the Listing, the Board will be required to comply with the Listing Rules, including the provisions relating to corporate governance which require, among other things, that a Director shall not vote on any Board resolution, any contract or arrangement or any other proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum for the meeting; and
- (iv) our Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board of Directors are made only after due consideration of independent and impartial opinions.

### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of our Controlling Shareholders nor any of our Directors was, as at the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the Listing, the Group entered into a number of continuing agreements and arrangements in our ordinary and usual course of business with (i) Chu Po King and (ii) HKT Teleservices International Limited (“HKT”), who will be connected persons of our Company under the Listing Rules upon Listing.

### CONNECTED PERSONS

Chu Po King is the sister of Ms. Chu, a Controlling Shareholder, Chair of the Board and Executive Director of the Company; therefore, Chu Po King is a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

HKT is a company incorporated in Hong Kong and the principal activities of which are the provision of customer relationship management as well as customer contact management solutions and services. HKT is an indirect non-wholly owned subsidiary of PCCW Limited (SEHK: 0008), and is therefore a fellow subsidiary of PCCW e-Ventures Limited (being one of our Substantial Shareholders and connected persons of the Company). As a result, HKT is also a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

#### Fully Exempt Continuing Connected Transactions

##### (A) 2020 RMA Service Agreement

###### *Background*

Our business primarily engages in the operation of our E-commerce platforms that primarily sells third-party branded Asian fashion & lifestyle and beauty products, as well as entertainment products to our global customers. Since providing satisfactory customer service is our high priority, we are committed in providing our customers with high level of service, including our flexible product return arrangement. As such, we have engaged different service providers, who are located in certain key countries where we derive our revenue from, to provide return merchandise authorisation service (“RMA Service”) to our customers.

Since 2006, Chu Po King has been providing RMA Service to one of our subsidiaries — YesStyle.com Limited (“YesStyle”) for our customers in Canada. On 14 September 2020, YesStyle renewed the RMA Service with Chu Po King by entering into another service agreement (the “2020 RMA Service Agreement”).

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## CONNECTED TRANSACTIONS

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### *Principal Terms of the 2020 RMA Service Agreement*

Pursuant to the 2020 RMA Service Agreement, the service term, subject to termination, was for a period of twelve months commencing on 14 September 2020 (the “**Initial Term**”), which shall be automatically renewed for one year unless either party has served written notice of non-renewal upon the other party at least one (1) month prior to the expiry of the Initial Term. The service fees, which are determined by a fixed fee per returned package, are payable by YesStyle within thirty (30) days upon receipt of Chu Po King’s quarterly invoice in respect of such service charges incurred in the preceding quarter.

In consideration of the service fees, Chu Po King was responsible for, among other things, (i) arranging for the pick up of the returned packages from the local post office to ship back to Hong Kong, (ii) preparing worksheets to keep track of the packaging details and (iii) communicating with us and our customers in relation to the RMA Service.

### *Listing Rules Implications*

With respect to the RMA Service provided by Chu Po King each year since 2006, the prior service fees received by Chu Po King from the Group amounted to less than HK\$3 million on an annual basis. During the Track Record Period, the service fees received by Chu Po King from the Group was approximately HK\$17,500, HK\$23,700 and HK\$18,400 for each of the years ended 31 December 2018, 2019 and 2020.

In light of the historical transaction value during the Track Record Period, the Directors do not expect the total service amount due to Chu Po King for each year of the service term under the 2020 RMA Service Agreement to (i) exceed HK\$50,000 (being the annual cap) or (ii) cause any of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profit ratios, the “**Percentage Ratios**”) calculated with reference to each service year term to exceed 5%.

The Directors (including the Independent Non-executive Directors) are of the view that (i) the terms of the 2020 RMA Service Agreement (including the annual cap) are fair and reasonable and on normal commercial terms and comparable to the terms of similar return merchandise authorisation service arrangement between the Group and other independent service providers; and (ii) the 2020 RMA Service Agreement was entered into in the ordinary and usual course of our business and in the interests of our Group and the Shareholders as a whole.

Since each of the applicable Percentage Ratios for the 2020 RMA Service Agreement is expected to be less than 5% on an annual basis and the total annual consideration is expected to be less than HK\$3 million, the transactions contemplated under the 2020 RMA Service Agreement are fully exempt from the reporting, announcement, annual review, the circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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If any of the aforementioned annual transaction amount or Percentage Ratios with respect to the 2020 RMA Service Agreement exceeds the applicable de minimis thresholds stipulated in Rule 14A.76(1) of the Listing Rules, the Company will comply with all applicable requirements under Chapter 14A of the Listing Rules.

### **(B) 2019 HKT Agreement**

#### ***Background***

As part of our commitment to provide our customers with high level of service, we understand that our customers may, from time to time, require professional customer care solutions and support to assist them with their purchases on our E-commerce platforms. Since HKT provides customer relationship management as well as customer contact management solutions and services, we have, during the Track Record Period, engaged them and will continue to engage them to provide contact centre services including email and other electronic channel support to our customers after Listing pursuant to the terms of a service agreement entered into on 1 June 2019 (as further amended and supplemented by an addendum agreement entered into between the parties on 7 June 2021, collectively the “**2019 HKT Agreement**”).

#### ***Principal Terms of the 2019 HKT Agreement***

Pursuant to the 2019 HKT Agreement, the service term is for a period of twenty-seven months commencing on 3 July 2019, subject to early termination in accordance with the terms of the 2019 HKT Agreement. The service fees shall be paid by the Company within thirty days from the date of receipt of the invoice and the amount paid would be based on the actual fixed number of on-the-job personnel from HKT who provided service to our Company in the preceding month (along with other ancillary service charges). In consideration of the service fees, HKT shall be responsible for, among other things, provisioning and management of a hotline by giving email and other electronic channel support to the Company’s customers. HKT, on behalf of the Company, shall handle incoming enquiries, including general enquiry, account status and customer feedback.

#### ***Listing Rules Implications***

For the years ended 31 December 2019 and 31 December 2020, the total payment attributed by the Company to HKT in respect of the services provided under the 2019 HKT Agreement amounted to an aggregate of approximately HK\$1.3 million and HK\$2.8 million respectively.

For the year ending 31 December 2021, the Directors do not expect the total payment attributable by the Company to HKT in respect of the services provided under the 2019 HKT Agreement with reference to the remaining service term of up to and including 2 October 2021 to (i) exceed HK\$3 million (being the annual cap) or (ii) cause any of the applicable Percentage Ratios calculated with reference to the remaining service year term to exceed 5%.

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## CONNECTED TRANSACTIONS

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The terms of the 2019 HKT Agreement were arrived at after arm's length negotiations between the Company and HKT. The Directors (including the Independent Non-executive Directors) are of the view that (i) the terms of the 2019 HKT Agreement are on normal commercial terms, (ii) the 2019 HKT Agreement was entered into in the ordinary and usual course of our business and (iii) the terms and the proposed annual caps are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

Since each of the applicable Percentage Ratios for the 2019 HKT Agreement with reference to the remaining service term of up to and including 2 October 2021 is expected to be less than 5% on an annual basis and the total annual consideration for the remaining term is expected to be less than HK\$3 million, the transactions contemplated under the 2019 HKT Agreement are fully exempt from the reporting, announcement, annual review, the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

If any of the aforementioned annual transaction amount of Percentage Ratios with respect to the 2019 HKT Agreement with reference to the remaining service term of up to and including 2 October 2021 exceeds the applicable de minimis thresholds stipulated in Rule 14A.76(1) of the Listing Rules, the Company will comply with all applicable requirements under Chapter 14A of the Listing Rules. Furthermore, if the Company enters into any similar agreement with HKT upon the expiration of the 2019 HKT Agreement and upon Listing, the Company will also comply with all applicable requirements under Chapter 14A of the Listing Rules.

### DISCONTINUED TRANSACTIONS WITH RELATED PARTIES

#### 2018 HKT Agreement

##### *Background*

Similar to the 2019 HKT Agreement, one of our Subsidiaries (YesStyle) engaged HKT to provide contact centre services including email and other electronic channel support to its customers during the Track Record Period pursuant to a service agreement entered into on 15 May 2018 (the "2018 HKT Agreement"). As at the Latest Practicable Date, the 2018 HKT Agreement has expired and the underlying transactions have been discontinued.

##### *Principal Terms of the 2018 HKT Agreement*

Pursuant to the 2018 HKT Agreement, the service term was for a period of twelve months commencing on 1 July 2018, subject to early termination in accordance with the terms of the 2018 HKT Agreement. The service fees were paid by YesStyle within thirty days from the date of receipt of the invoice and the amount paid was based on the actual fixed number of on-the-job personnel from HKT who provided service to YesStyle in the preceding month (along with other ancillary service charges). In consideration of the service fees, HKT was responsible for, among other things, provisioning and management of a

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## CONNECTED TRANSACTIONS

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hotline by giving email and other electronic channel support to YesStyle's customers. HKT, on behalf of YesStyle, handled incoming enquiries, including general enquiry, account status and customer feedback.

The terms of the 2018 HKT Agreement were arrived at after arm's length negotiations and were on normal commercial terms, and the 2018 HKT Agreement was entered into in the ordinary and usual course of YesStyle's business. The total payment attributed by YesStyle to HKT in respect of the services provided under the 2018 HKT Agreement amounted to an aggregate of approximately HK\$1.5 million.

Upon expiration of the term under the 2018 HKT Agreement, there were no similar service agreements entered into between YesStyle and HKT. However, as discussed above, the Company currently engages HKT to provide similar service under the 2019 HKT Agreement. For details of the 2019 HKT Agreement, please refer to section headed "Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions — (B) 2019 HKT Agreement" of this section.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of nine Directors, of whom three are Executive Directors, three are Non-executive Directors and three are Independent Non-executive Directors. The following table sets forth certain information regarding our Directors:

#### Members of our Board

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Roles and Responsibilities</u>	<u>Relationship with other Director(s) and/or senior management</u>
<b>Executive Directors</b>						
LAU Kwok Chu (劉國柱)	46	Executive Director and Chief Executive Officer	26 April 2005	23 January 1998	Overseeing strategic development, overall operation and management and major decision-making of our Group	Spouse of CHU Lai King and brother-in-law of CHU Kin Hang
CHU Lai King (朱麗琼)	50	Executive Director, Chair of the Board and Vice President of Operations	26 April 2005	23 January 1998	Overseeing the daily operations and administration of our Group, including the logistic operations and customer service operation of our Group	Spouse of LAU Kwok Chu and sister of CHU Kin Hang
WONG Shuet Ha (黃雪夏)	51	Executive Director and Vice President of Corporate Planning	26 June 2014	1 September 1999	Responsible for business development and corporate planning of our Group	Nil
<b>Non-executive Directors</b>						
LUI Pak Shing Michael (雷百成)	58	Non-executive Director	25 May 2006	1 December 1998	Providing professional advice to the Board	Nil
HUI Yat Yan Henry (許日昕)	56	Non-executive Director	22 March 2007	22 March 2007	Providing professional advice to the Board	Nil
POON Chi Ho (潘智豪)	54	Non-executive Director	25 June 2009	25 June 2009	Providing professional advice to the Board	Nil
<b>Independent Non-executive Directors</b>						
CHAN Yu Cheong (陳汝昌)	41	Independent Non-executive Director	17 August 2020 <sup>(1)</sup>	17 August 2020	Supervising and providing independent judgment to the Board	Nil
SIN Pak Cheong Philip Charles (洗栢昌)	46	Independent Non-executive Director	17 August 2020 <sup>(1)</sup>	17 August 2020	Supervising and providing independent judgment to the Board	Nil
WONG Chee Chung (王子聰)	45	Independent Non-executive Director	17 August 2020 <sup>(1)</sup>	17 August 2020	Supervising and providing independent judgment to the Board	Nil

<sup>(1)</sup> Appointment effective upon the Listing Date.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

#### Executive Directors

**Mr. LAU Kwok Chu (劉國柱)**, aged 46, is our Executive Director, Chief Executive Officer and Co-Head of the YesStyle business unit. Mr. Lau has over 20 years of experience in E-commerce business and digital marketing. He co-founded our Group with Ms. Chu in December 1997. He has been our Director since 26 April 2005. Mr. Lau also serves as director of a number of our subsidiaries. Prior to founding our Group, Mr. Lau served as an analyst within the Consumer Investment Management Division of the Goldman Sachs Group, Inc. from July 1996 to July 1998.

Mr. Lau obtained his bachelor's degree of arts in economics, conferred with distinction from Stanford University in California, the United States in June 1996. Mr. Lau received the Asia Pacific Entrepreneurship Award in the E-commerce category awarded by Enterprise Asia in September 2017.

**Ms. CHU Lai King (朱麗琼)**, aged 50, is our Executive Director, Chair of the Board and Vice President of Operations. Ms. Chu has over 20 years of experience in E-commerce, logistics and operations. She co-founded our Group with Mr. Lau in December 1997. She has been our Director since 26 April 2005. Ms. Chu also serves as director of a number of our subsidiaries. Prior to founding our Group, Ms. Chu served as a programmer analyst with Municipal Resource Consultants in California from May 1993 to July 1998.

Ms. Chu obtained her bachelor's degree of science, majoring in business administration in computer application and option systems and a master's degree in business administration from the California State University in California, the United States in December 1992 and August 1997 respectively.

**Ms. WONG Shuet Ha (黃雪夏)**, aged 51, is our Executive Director and Vice President of Corporate Planning. She joined our Group in September 1999, serving as our Controller until February 2002. Ms. Wong has served multiple positions within our Group, including as our Finance Director from March 2002 to April 2005, Vice President of Finance from April 2005 to December 2012, Vice President of Finance and Accounting from September 2010 to December 2012, President of YesStyle Fashion, Inc. (a subsidiary of YesAsia Holdings Limited which was dissolved on 6 May 2015) from January 2013 to April 2015 and Vice President of Finance of our Group from May 2015 to November 2018. Ms. Wong has been serving as our Vice President of Corporate Planning since December 2018 and was appointed as our Director on 26 June 2014.

Ms. Wong obtained her bachelor's degree of science, majoring in business administration and her master's degree in business administration from the California State University in the United States in December 1991 and in August 1996 respectively. She was admitted to practice as a certified public accountant in the state of California in September 1994 by the State Board of Accountancy.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-executive Directors

**Mr. LUI Pak Shing Michael (雷百成)**, aged 58, is our Non-executive Director. He has been dedicating as The First Founding Investor since 1998. He has been a Director since 2006. Prior to joining our Group, Mr. Lui served as president from July 1995 to July 2012 and as director from July 1979 to July 2012 with Tang Fat Enterprises Company Inc. Mr. Lui also served as special projects superintendent from May 1987 to December 1992 with American Realty and Construction Inc.

Mr. Lui obtained his bachelor's degree of science in business administration from the University of San Francisco in the United States in December 1985.

**Mr. HUI Yat Yan Henry (許日昕)**, aged 56, is our Non-executive Director. He has been our Director since 22 March 2007. He is currently serving as senior vice president of the business development unit of PCCW Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 0008)) (“**PCCW**”, together with its subsidiaries, the “**PCCW Group**”) since November 2011. He was chief financial officer of Cascade Limited, a wholly-owned subsidiary of the PCCW Group and in charge of financial and accounting function of the international projects unit of the PCCW Group from August 2006 to November 2011. He joined the ventures unit of Pacific Century CyberWorks Limited (now known as PCCW Limited) since March 2000. Mr. Hui also serves as a director in a number of subsidiaries in the PCCW Group and HKT Limited (a company the share stapled units of which that are jointly issued with the HKT Trust are listed on the Main Board of the Stock Exchange (Stock Code: 6823)) (“**HKT Limited**”, together with its subsidiaries, the “**HKT Group**”).

Prior to joining the PCCW Group, Mr. Hui served as a direct investment manager from July 1997 to December 1998 and as China retail fund manager from December 1998 to March 2000 with AIG Investment Corporation (Asia) Ltd. Prior to his career as a financier, Mr. Hui served as a system engineer with Asia Satellite Telecommunications Company Limited from March 1993 to April 1995. Mr. Hui also served as an associate engineer with IBM from February 1990 to March 1993.

Mr. Hui obtained his bachelor's degree of science with special honors, majoring in Electrical and Computer Engineering from the University of Colorado in the United States in December 1989 and his master's degree with academic excellence in business administration from the University of Illinois in the United States in May 1997. He was a member of Tau Beta Pi and Beta Gama Sigma, an honor society for engineering and business, since April 1988 and November 1996 respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. POON Chi Ho (潘智豪)**, aged 54, is our Non-executive Director. He has been our Director since 25 June 2009. Mr. Poon joined the PCCW Group as a management trainee in August 1989 and has been serving as the director of group finance of HKT Limited management and accounting and procurement since November 2014. He also holds a number of positions within the PCCW Group, including as director in a number of subsidiaries in both the PCCW Group and the HKT Group.

Mr. Poon obtained his bachelor's degree in business studies from the Hong Kong Polytechnic University in Hong Kong in November 1989. He also obtained his associate membership with the Hong Kong Society of Accountants since December 1995.

### **Independent Non-executive Directors**

**Mr. CHAN Yu Cheong (陳汝昌)**, aged 41, has been appointed as an Independent Non-executive Director of our Company on 17 August 2020. Mr. Chan is currently serving as director with a number of companies, namely, Resonance Capital Ltd. since September 2016, Youth Arch Foundation Ltd. since September 2016, Visual Squares Ltd. since April 2011 and Savantas Policy Institute Ltd. since April 2009. He is also serving the Enterprise Support Scheme Assessment Panel under the Innovation and Technology Commission of the HKSAR Government since July 2015. Prior to returning to Hong Kong in 2010, Mr. Chan worked as a software engineer in a number of technology companies in Silicon Valley, including Google from December 2004 to July 2010 and Neopath Networks (acquired by Cisco Systems in April 2007) from August 2003 to December 2004.

Mr. Chan obtained his bachelor's degree of science in computer science, conferred with distinction, and master's degree of science in computer science from Stanford University in California, the United States in April 2003. Mr. Chan received the Frederick Emmons Terman Engineering Scholastic Award for being the top five percent of the undergraduate senior engineering class.

**Mr. SIN Pak Cheong Philip Charles (洗栢昌)**, aged 46, has been appointed as an Independent Non-executive Director of our Company effective on 17 August 2020. Mr. Sin is currently serving as chief financial officer of HiFiBiO Therapeutics since November 2020. Mr. Sin was managing director of Orient Securities Investment Bank Co. Ltd. (formerly Citi Orient Securities Company Limited) from March 2013 to November 2020. Mr. Sin was director of Greater China investment banking with Citigroup Global Markets Asia Limited ("**Citigroup**") from September 2009 to February 2013. Prior to his work with Citigroup, he also served as director of the investment banking department of UBS Group AG (a company listed on NYSE (Ticker: UBS) and SIX Swiss Exchange (Symbol: UBSG)) from June 2006 to December 2008. Mr. Sin was vice president of the global market division with Deutsche Bank AG (a company listed on NYSE (Ticker: DB) and BER (Symbol: DBK)) from August 2003 to June 2006. He served as a corporate finance and mergers and acquisitions banker with Morgan Stanley Asia Ltd. from July 2000 to November 2002 and Chase Securities Inc. from July 1997 to June 2000.

Mr. Sin obtained his bachelors of arts degree in economics and Asian studies conferred with magna cum laude from Dartmouth College in the United States in June 1997.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. WONG Chee Chung (王子聰)**, aged 45, has been appointed as an Independent Non-executive Director of our Company on 17 August 2020. Mr. Wong is currently serving as an executive director with Agenda Corp Limited since April 2018 and with Double U Limited since April 2016. Mr. Wong is currently serving as an independent non-executive director of Ying Kee Tea House Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 8241)) since March 2018. Mr. Wong is also an audit director at a CPA firm called Willy Wong & Co.. Prior to that, Mr. Wong had been working in PricewaterhouseCoopers in its Hong Kong office for about eight years and its London office for about two years.

Mr. Wong obtained his bachelor of business administration in accounting and finance from the University of Hong Kong in December 1998 and master of science in financial analysis from the Hong Kong University of Science and Technology in June 2015. Mr. Wong has been a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since July 2014 and October 2009 respectively.

### DIRECTORS' INTEREST

Each of our Executive Directors and Non-executive Directors has entered into a service contract with our Company on 16 June 2021, and we have issued letters of appointment to each of our Independent Non-executive Directors. Each of the service contracts and the letters of appointment is for an initial term of three years commencing from the Listing date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Save as disclosed in the section headed “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Management Independence” and the paragraphs headed “Directors” and “Senior Management” in this section, as at the Latest Practicable Date, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of our Company; (iii) did not hold any other directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as those disclosed in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders” in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our

## DIRECTORS AND SENIOR MANAGEMENT

Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
LAU Kwok Chu (劉國柱)	46	Executive Director, Chief Executive Officer and Co-Head of the YesStyle business unit	23 January 1998	Overseeing strategic development, overall operation and management and major decision-making of our Group	Spouse of CHU Lai King and brother-in-law of CHU Kin Hang
CHU Lai King (朱麗琼)	50	Executive Director, Chair of the Board and Vice President of Operations	23 January 1998	Overseeing the daily operations and administration of our Group, including the logistic operations and customer service operation of our Group	Spouse of LAU Kwok Chu and sister of CHU Kin Hang
WONG Shuet Ha (黃雪夏)	51	Executive Director, Vice President of Corporate Planning	1 September 1999	Responsible for business development and corporate planning of our Group	Nil
NG Sai Cheong (伍世昌)	44	Chief Financial Officer and Company Secretary	3 December 2018	Strategic development, financial operations, management and capital operations and secretarial aspects of our Group	Nil
CHU Kin Hang (朱健恒)	46	Vice President of Content	1 May 1998	Planning, developing and implementing the Group's content strategy	Brother-in-law of LAU Kwok Chu and brother of CHU Lai King
KIM In Sook	56	Vice President of Business Development	8 August 2001	Overseeing management of YesAsia.com (Korea) Limited	Nil
WAN Siu Chung (溫兆聰)	44	Vice President of Information Technology	19 June 2000	Planning and operations of information technology of our Group	Nil
Erik HOHMANN	46	Vice President of Marketing	10 April 2018	Overseeing marketing strategies of our Group	Nil
FUNG Man Yee Joyce (馮敏儀)	45	Vice President of Consumer Business and Co-Head of the YesStyle business unit	5 October 2020	Overseeing strategic development, overall operation and management of the B2C business of our Group	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. LAU Kwok Chu (劉國柱)**, aged 46, is also our Executive Director, Chief Executive Officer and Co-Head of the YesStyle business unit. See the paragraph headed “Executive Director” for his biography.

**Ms. CHU Lai King (朱麗琼)**, aged 50, is also our Executive Director, Chair of the Board and Vice President of Operations. See the paragraph headed “Executive Director” for her biography.

**Ms. WONG Shuet Ha (黃雪夏)**, aged 51, is also our Executive Director. See the paragraph headed “Executive Director” for her biography.

**Mr. NG Sai Cheong (伍世昌)**, aged 44, is our Chief Financial Officer and Company Secretary. He joined our Group in December 2018. Prior to joining our Group, Mr. Ng held multiple senior management roles with Kwan On Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1559)) from August 2012 to December 2018, including as financial controller from August 2012 to February 2018, and with his last positions as the chief financial officer and company secretary. Mr. Ng joined Top Express Holdings Limited as accounting manager between September 2009 and April 2012 and his last position was as chief financial officer. Mr. Ng joined Beauty China Holdings Limited (a company formerly listed on the Singapore Exchange (Stock Code: B15.SG)), as accounting manager from October 2003 to October 2007 and he served as assistant financial controller from October 2007 to August 2009. Mr. Ng served as a senior accountant and staff accountant in the Assurance and Advisory Business Services department of Ernst & Young Hong Kong from October 2002 to September 2003 and February 2001 to September 2002, respectively. Mr. Ng also served as an auditor with Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited), Certified Public Accountants from April 2000 to February 2001. Mr. Ng served as an audit graduate and subsequently as a semi-senior auditor with Lee Sik Wai & Co, Certified Public Accountants in Hong Kong from June 1998 to April 2000.

Mr. Ng has been serving as an independent non-executive director of Royal Catering Group Holdings Company Limited (a company listed on GEM of the Hong Kong Stock Exchange (Stock Code: 8300)) since August 2018. Mr. Ng has been serving as executive director of Indigo Star Holdings Limited (a company listed on GEM of the Hong Kong Stock Exchange (Stock Code: 8373)) since April 2017.

Mr. Ng obtained his bachelor of business administration degree in accounting from The Hong Kong University of Science and Technology in Hong Kong in November 1998 and his master of corporate governance degree from The Open University of Hong Kong in June 2007. He has been an associate of The Hong Kong Institute of Chartered Secretaries since September 2007, and an associate of The Hong Kong Institute of Certified Public Accountants since March 2003.

**Mr. CHU Kin Hang (朱健恒)**, aged 46, is our Vice President of Content. He joined our Group in May 1998, serving as our Design Manager until March 2003. He was re-designated as our Design and Production Director from April 2003 to March 2015. Mr. Chu has been serving as our Vice President of Content since April 2015.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Chu obtained his bachelor of engineering majoring in electronics engineering from the Chinese University of Hong Kong in Hong Kong in December 1998.

**Ms. KIM In Sook**, aged 56, is our Vice President of Business Development. She is also serving as General Manager of our South Korean Office. She joined our Group in August 2001. Ms. Kim has held multiple positions within our Group including, as Korean Product Manager, Senior Product Manager, Product Director and Deputy General Manager of the South Korean Office from April 2002 to April 2018. Prior to joining our Group, Ms. Kim served as an interpreter for DLiA Consortium from October 2000 to March 2001. Ms. Kim also served as an export manager with Taewon International Corp., a footwear export and import company in their Hong Kong office from August 1995 to August 1996 and their Seoul office from April 1988 to July 1995.

Ms. Kim obtained her bachelor's degree in English studies from the Portsmouth University in the United Kingdom in June 1998 and her master's degree of science in tourism management and marketing from the Bournemouth University in the United Kingdom in March 2000.

**Mr. WAN Siu Chung (溫兆聰)**, aged 44, is our Vice President of Information Technology. He joined our Group in June 2000 as our Programmer until August 2001. He held multiple positions within our Group including, as, System Analyst, Application Manager, Development Manager, Information Technology Operation Support Director and Director of Information Technology from September 2001 until March 2018.

Mr. Wan obtained his bachelor of science degree from the Chinese University of Hong Kong in Hong Kong in December 2000 and his master of business administration from the Chinese University of Hong Kong in Hong Kong in December 2010. Mr. Wan obtained his certificate as a project management professional from the Project Management Institute in the United States in January 2014 and his Information Technology Infrastructure Library (ITIL) foundation certificate in IT service management from Axelos and EXIN through attending online courses in December 2016.

**Mr. Erik HOHMANN**, aged 46, is the Vice President of Marketing of our Company. He joined our Group in April 2018, serving as Marketing Director until March 2019. Prior to joining our Group, he served as the director of marketing and sales at Milkyway Distribution Ltd., a global E-commerce company in Hong Kong from January 2018 to April 2018. Mr. Hohmann also served as the general manager at Wild At Heart Limited, a digital marketing agency in Hong Kong from January 2016 to January 2018. He served as the head of E.U. sales and marketing for MedicAnimal Ltd., an E-commerce pet healthcare product retailer based in London from February 2011 to September 2015. He joined DFS Air Navigation services in Germany as senior business development manager from January 2005 to February 2011. He also served as investment manager for BLS Venture Capital in Berlin from April 2002 to December 2004. Mr. Hohmann served as an assistant to the general manager at TFG Venture Capital in Berlin from February 2000 to March 2002. He worked at Landes Bank in Berlin from August 1992 to March 1995.

Mr. Hohmann obtained his Diplom-Kaufmann in business administration from Humboldt University in Berlin, Germany in January 2002.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. FUNG Man Yee Joyce (馮敏儀)**, aged 45, is our Vice President of Consumer Business and Co-Head of the YesStyle business unit. She joined our Group in October 2020. Prior to joining our Group, Ms. Fung served as vice president, operations for K11 Concepts Limited (a member of New World Development Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 17)) from August 2019 to February 2020. Ms. Fung rejoined and held multiple senior management roles with the Lane Crawford Joyce Group from April 2016 to May 2019, including chief commercial officer of ImagineX Management Company Limited and chief operating officer of Walton Brown (Hong Kong) Limited. From August 2010 to April 2015, Ms. Fung was executive director of the corporate finance department and consumer and investment management division of Goldman Sachs (Asia) L.L.C.. Ms. Fung also served as the group chief financial officer and strategic planning of John Hardy International Limited from September 2008 to May 2010. Ms. Fung also served as the corporate development director of the Lane Crawford Joyce Group from September 2006 to August 2008. Ms. Fung also held various investment banking roles at Goldman Sachs (Asia) L.L.C. and Credit Suisse (formerly known as Donaldson, Lufkin & Jenrette) in Hong Kong, London and New York between 1997 and 2006.

Ms. Fung obtained her bachelors of science in economics with magna cum laude honors from the Wharton School at the University of Pennsylvania in the United States in May 1997. Ms. Fung obtained her master in business administration degree from the Harvard Business School in the United States in June 2002.

### COMPANY SECRETARY

**Mr. NG Sai Cheong (伍世昌)**, is our Company Secretary. See the paragraph headed “Senior Management” for his biography.

### CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). As of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors do not expect there will be any deviation from the provisions of the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports upon Listing.

### BOARD COMMITTEES

Various committees have been established under the Board in accordance with the Corporate Governance Code. Our Company has established three Board committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Audit Committee**

The Company established the Audit Committee pursuant to a resolution of the Board on 17 August 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of four members, namely Mr. WONG Chee Chung, Mr. HUI Yat Yan Henry, Mr. SIN Pak Cheong Philip Charles and Mr. CHAN Yu Cheong. Mr. WONG Chee Chung is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system, risk management and internal audit of our Group, to provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

### **Remuneration Committee**

The Company established the Remuneration Committee pursuant to a resolution of the Board on 17 August 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 and paragraph D.3 of the Corporate Governance Code. The Remuneration Committee consists of four members, namely Mr. CHAN Yu Cheong, Mr. POON Chi Ho, Mr. WONG Chee Chung and Mr. SIN Pak Cheong Philip Charles. Mr. CHAN Yu Cheong is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish, review and provide advice to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

### **Nomination Committee**

The Company established the Nomination Committee pursuant to a resolution of the Board on 17 August 2020 with written terms of reference in compliance with paragraph A.5 and paragraph D.3 of the Corporate Governance Code. The Nomination Committee consists of four members, namely Mr. SIN Pak Cheong Philip Charles, Ms. WONG Shuet Ha, Mr. CHAN Yu Cheong and Mr. WONG Chee Chung. Mr. SIN Pak Cheong Philip Charles is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the independence of our Independent Non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

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## DIRECTORS AND SENIOR MANAGEMENT

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### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of salaries, discretionary bonuses and other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and performance of our Group.

For the three years ended 31 December 2018, 2019 and 2020, the aggregate amount of remuneration, fees, salaries, discretionary bonus, welfare contribution plans (including pensions, housing, other allowances and other benefits in kind) paid by us to our Directors was approximately US\$520,000, US\$731,000 and US\$611,000, respectively.

For the three years ended 31 December 2018, 2019 and 2020, the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans (including pensions), housing, other allowances and other benefits in kind received by the five highest-paid individuals of our Group, excluding our Directors, were US\$408,000, US\$490,000 and US\$537,000, respectively.

Save as disclosed in this paragraph headed "Remuneration of Directors and Senior Management", no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period.

Under the remuneration policy of our Company, the Remuneration Committee will consider various factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors and senior management, in assessing the amount of remuneration payable to our Directors and such employees. Under the arrangements currently in force, the annual Directors' fees and other emoluments paid by our Group for the financial year ending 31 December 2020 was approximately US\$611,000.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguarding the interests of our Shareholders. To accomplish this, we intend to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules after the Listing.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISOR

We have appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our securities, the possible development of a false market in our securities or any other matters under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### BOARD DIVERSITY AND POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board and the business needs of our Company from time to time. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises nine members, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and accounting experiences. Furthermore, our Board has a good mix of new and

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## DIRECTORS AND SENIOR MANAGEMENT

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experienced Directors, who have valuable knowledge and insights of our Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to our Group. Our Nomination Committee will (i) report annually, in the corporate governance report contained in our annual report, on our Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy; and (ii) will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval.

We value gender diversity and will continue to take steps to promote gender diversity at the Board level. In fact, two out of three of our Executive Directors are female and the Chair of the Board is also female which is testament of our Group's dedication in achieving gender diversity at Board level.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, and assuming that (i) the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme, and (ii) all the Preferred Shares will automatically convert into Shares according to their respective conversion ratios, the following persons will have interests or short positions in our Shares or underlying Shares which will be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Shares held as at the Latest Practicable Date<sup>(1)</sup></u>		<u>Shares held immediately following the completion of the Global Offering<sup>(2)</sup></u>	
		<i>Approximate Number</i>	<i>Approximate percentage</i>	<i>Approximate Number</i>	<i>Approximate percentage</i>
Mr. Lau <sup>(3)</sup>	Beneficial interest	122,112,980	34.32%	122,112,980	30.88%
	Interest of Spouse	29,835,550	8.38%	29,835,550	7.55%
Ms. Chu <sup>(3)</sup>	Beneficial interest	29,835,550	8.38%	29,835,550	7.55%
	Interest of Spouse	122,112,980	34.32%	122,112,980	30.88%
PCCW e-Ventures Limited <sup>(4)</sup>	Beneficial interest	39,704,030	11.16%	39,704,030	10.04%
CyberWorks Ventures Limited <sup>(4)</sup>	Interest in controlled corporation	39,704,030	11.16%	39,704,030	10.04%
PCCW Limited <sup>(4)</sup>	Interest in controlled corporation	39,704,030	11.16%	39,704,030	10.04%
Mr. Lui Pak Shing Michael	Beneficial interest	35,183,210	9.89%	35,183,210	8.90%
Pacven Walden Ventures IV, L.P. <sup>(5)</sup>	Beneficial interest	32,458,590	9.12%	32,458,590	8.21%
Pacven Walden Management II, L.P. <sup>(5)</sup>	Interest in controlled corporation	32,458,590	9.12%	32,458,590	8.21%
Stonepath Group, Inc. <sup>(6)</sup>	Beneficial interest	26,000,000	7.31%	26,000,000	6.58%

*Notes:*

- (1) Assuming all Preferred Shares of the Company are converted into the Shares of the Company according to their respective conversion ratios.
- (2) Assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme.
- (3) As at the Latest Practicable Date, Mr. Lau directly held 118,412,980 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle him to subscribe for 3,700,000 Shares.

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## SUBSTANTIAL SHAREHOLDERS

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As at the Latest Practicable Date, Ms. Chu directly held 29,235,550 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle her to subscribe for 600,000 Shares.

As Mr. Lau is the spouse of Ms. Chu and vice versa, and they are each deemed under the SFO to be interested in the Shares directly held by each other, they are therefore both interested in the combined number of Shares (being 151,948,530 Shares (on an as-converted basis) as at the Latest Practicable Date).

- (4) PCCW e-Ventures Limited is 50% held by CyberWorks Ventures Limited and 50% held by PCCW Nominees Limited (acting as a bare trustee for and on behalf of CyberWorks Ventures Limited as the beneficiary). CyberWorks Ventures Limited is a wholly-owned subsidiary of PCCW Limited (being a company listed on the Stock Exchange with stock code 0008). Therefore, each of CyberWorks Ventures Limited and PCCW Limited is deemed to be interested in the 39,704,030 Shares (on an as-converted basis) held by PCCW e-Ventures Limited under the SFO.
- (5) Pacven Walden Ventures IV, L.P. is a Cayman registered limited partnership, which is controlled by its general partner, Pacven Walden Management II, L.P. Therefore, Pacven Walden Management II, L.P. is deemed to be interested in the 32,458,590 Shares (on an as-converted basis) held by Pacven Walden Ventures IV, L.P. under the SFO.
- (6) As at the Latest Practicable Date, Stonepath Group, Inc., a U.S. company incorporated in the State of Delaware, directly held 26,000,000 Shares (on an as-converted basis). As far as our Directors are aware, Stonepath Group Inc. is held by various shareholders, and none of which is deemed to be interested in the Shares held by Stonepath Group, Inc. by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme, and (ii) all the Preferred Shares will automatically convert into Shares according to their respective conversion ratios), have any interest and/or short positions in our Shares which will be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group (other than the one share held by Mr. Lau (representing 10% of the total issued shares) in YesAsia.com Limited as a trustee for our Company). Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

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## SHARE CAPITAL

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### SHARE CAPITAL OF OUR COMPANY

As at the Latest Practicable Date, all of the issued shares in the Company comprise fully paid 179,865,530 Shares, 1,048,405 Series A Preferred Shares, 5,164,737 Series B Preferred Shares and 3,381,629 Series C Preferred Shares. Pursuant to the Companies Ordinance, with effect from 3 March 2014, companies incorporated in Hong Kong no longer have an authorized share capital and there is no longer the concept of par value in respect of issued shares.

Details of the issued share capital of the Company immediately prior to and following the completion of the Global Offering are set out below:

	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital</u>
Shares in issue immediately prior to the completion of the Global Offering (including the Shares on conversion of the Preferred Shares) <sup>(1)</sup>	355,850,790	90.00%
Shares to be issued pursuant to the Global Offering	<u>39,540,000</u>	<u>10.00%</u>
<b>Total</b>	<u><u>395,390,790</u></u>	<u><u>100%</u></u>

*Note:*

- (1) Pursuant to the articles of association of the Company effective as at the Latest Practicable Date, the Preferred Shares will be automatically converted into Shares based on the conversion price of their respective class immediately upon the completion of the Global Offering.

### Assumptions

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares (i) which may be issued upon the exercise of the Over-Allotment Option; (ii) which may be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Schemes or to be issued under the Post-IPO Share Option Scheme; or (iii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKING

The Offer Shares and the Shares which may be issued under the Over-Allotment Option, the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate (the “**Issuing Mandate**”) to allot, issue and deal in a total number of Shares of not more than the aggregate of:

- i. 20% of the total number of Shares in issue immediately following completion of the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-Allotment Option; and
- ii. the total number of the Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or under the Global Offering or upon the exercise of the Over-Allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

Further details of the Issuing Mandate are set out in the section headed “A. Further Information about our Company and its Subsidiaries — 3. Resolutions of our Shareholders” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate (the “**Repurchase Mandate**”) to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue and to be issued immediately following completion of the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-Allotment Option.

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## SHARE CAPITAL

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The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements under the Listing Rules is set out in the section headed “A. Further Information about our Company and its Subsidiaries — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

Further details of the Repurchase Mandate are set out in the section headed “A. Further Information about our Company and its Subsidiaries — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

### **PUBLIC FLOAT REQUIREMENTS — RULE 8.08 OF THE LISTING RULES**

Rule 8.08 of the Listing Rules requires us to maintain a minimum percentage of 25% of our total issued share capital in the hands of the public at the time of the Listing and at all times thereafter. Our Directors confirm that we will comply with the requirements of Rule 8.08 upon the Listing.

### **NO FURTHER ISSUE OF SECURITIES WITHIN SIX MONTHS OF LISTING — RULE 10.08 OF THE LISTING RULES**

Rule 10.08 of the Listing Rules provides that we may not issue any further Shares or securities convertible into equity securities, or enter into any agreement to make such an issue, within 6 months from the Listing Date. Our Directors confirm that we will comply with the requirements of Rule 10.08 upon the Listing.

### **PRE-IPO SHARE OPTION SCHEMES**

We have adopted the Pre-IPO Share Option Schemes, and the principal terms of the schemes are summarized in the section headed “D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 1. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### POST-IPO SHARE OPTION SCHEME

We have adopted the Post-IPO Share Option Scheme, and the principal terms of the scheme are summarized in the section headed “D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme — 2. Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as included in the Accountant's Report set out in Appendix I to this prospectus. Our Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section "Risk Factors" of this prospectus.*

*The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.*

## OVERVIEW

Established in 1997, we are an online retailer headquartered in Hong Kong which engages in the procurement and sale of third-party branded and unbranded Asian fashion & lifestyle, beauty and entertainment products to customers around the world. During the Track Record Period, we offered a wide range of products and our principal business activities can be divided into two business segments: (i) sales of fashion & lifestyle and beauty products on our *YesStyle* and *AsianBeautyWholesale* platforms; and (ii) sales of entertainment products on our *YesAsia* platform and through our offline wholesale channel.

Our revenue for the three years ended 31 December 2020 was approximately US\$85.4 million, US\$117.6 million and US\$173.3 million, respectively, representing a CAGR of approximately 42.5%. For the same year, our profit for the year was approximately US\$4.0 million, US\$3.4 million and US\$11.2 million, respectively, representing a CAGR of approximately 67.3%. Our net profit margin was approximately 4.7%, 2.9% and 6.5% for the same years, respectively. Our profit for the year decreased from approximately US\$4.0 million for the year ended 31 December 2018 to approximately US\$3.4 million for the year ended 31 December 2019, primarily due to (i) the increase in selling expenses and administrative expenses, partially offset by the increase in gross profit; and (ii) the impact of one-off indirect tax recorded during the year ended 31 December 2019. Our profit increased from approximately US\$3.4 million for the year ended 31 December 2019 to

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## FINANCIAL INFORMATION

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approximately US\$11.2 million for the year ended 31 December 2020, primarily due to the increase in revenue and the government subsidy income, partially offset by one-off expenses such as Listing expenses.

### **BASIS OF PRESENTATION**

Our audited consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. For details, please refer to note 2 to the Accountant's Report included in Appendix I to this prospectus.

### **FACTORS AFFECTING OUR FINANCIAL RESULTS**

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in "Risk Factors" in this prospectus and those set out below.

#### **Demand for our fashion & lifestyle and beauty products**

A significant amount of our revenue was derived from the sales of our fashion & lifestyle and beauty products through our *YesStyle* and *AsianBeautyWholesale* platforms during the Track Record Period, therefore, our financial results depend to a certain extent on the overall demand of fashion & lifestyle and beauty products (particularly products sourced from South Korea), consumers' preference, brand awareness and quality of products we offer. For the three years ended 31 December 2020, revenue generated from the sale of our fashion & lifestyle and beauty products through our *YesStyle* and *AsianBeautyWholesale* platforms was approximately US\$72.7 million, US\$102.8 million and US\$163.2 million, respectively, representing 85.2%, 87.5% and 94.2% of our total revenue, respectively. For details of market size and growth in our fashion & lifestyle and beauty products, please refer to the section headed "Industry Overview" of this prospectus.

However, if we are unable to anticipate changes in consumers' preference or the popularity of Korean culture, remain price competitive and respond to consumption trend, such as by sourcing new products that are sought-after by consumers, our business, financial condition and results of operations could be materially and adversely affected.

#### **Effectiveness of our marketing strategies**

Our Directors believe that attracting new visitors to our E-commerce platforms such as our websites and mobile app and converting them into our customers is critical to the growth of our business and financial performance. For the three years ended 31 December 2020, we incurred marketing and promotion fees of approximately US\$3.6 million, US\$5.1 million and US\$7.1 million, respectively, and our Directors expect to continue to incur significant expenses on marketing and promotions through various channels such as our online advertising, affiliate program and KOL expenses.

If our marketing strategies are unsuccessful in attracting new visitors in an effective and cost-efficient manner and converting them into our customers, our business, financial condition and results of operations could be materially and adversely affected.

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### Fluctuation in our product costs

During the Track Record Period, product costs were one of the major components of our cost of sales, which accounted for approximately 67.5%, 66.8% and 60.5% of our total cost of sales for the three years ended 31 December 2020, respectively. Accordingly, our results of operations will be significantly affected if the product costs increase and it is not able to pass such increase to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our product costs on our profit before tax during the Track Record Period, assuming the fluctuation of product costs to be 5% and 10% during the three years ended 31 December 2020 with other variables remained constant:

	<u>US\$'000, except percentage</u>			
	+ 5%	-5%	+ 10%	-10%
Changes in profit before tax				
For the year ended 31 December 2018	(1,899)	1,899	(3,799)	3,799
For the year ended 31 December 2019	(2,671)	2,671	(5,342)	5,342
For the year ended 31 December 2020	(3,370)	3,370	(6,739)	6,739

### Fluctuation in our freight charges

During the Track Record Period, freight charges were one of the major components of our cost of sales, which accounted for approximately 31.0%, 31.5% and 38.3% of our total cost of sales for the three years ended 31 December 2020, respectively. Accordingly, our results of operations will be significantly affected if the freight charges increase and we are not able to pass such increase to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our freight charges on our profit before tax during the Track Record Period, assuming the fluctuation of freight charges to be 5% and 10% during the three years ended 31 December 2020 with other variables remained constant:

	<u>US\$'000, except percentage</u>			
	+ 5%	-5%	+ 10%	-10%
Changes in profit before tax				
For the year ended 31 December 2018	(873)	873	(1,745)	1,745
For the year ended 31 December 2019	(1,261)	1,261	(2,521)	2,521
For the year ended 31 December 2020	(2,136)	2,136	(4,272)	4,272

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### Fluctuation in our staff costs

During the Track Record Period, staff costs were one of the major components of our administrative expenses, which accounted for approximately 72.0%, 68.0% and 55.5% of our total administrative expenses for the three years ended 31 December 2020, respectively. Accordingly, our results of operations will be significantly affected if the staff costs increase and we are not able to pass such increase to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs on our profit before tax during the Track Record Period, assuming the fluctuation of staff costs to be 10% and 20% during the three years ended 31 December 2020 with other variables remained constant:

	US\$'000, except percentage			
	+ 10%	-10%	+ 20%	-20%
Changes in profit before tax				
For the year ended 31 December 2018	(1,035)	1,035	(2,069)	2,069
For the year ended 31 December 2019	(1,242)	1,242	(2,484)	2,484
For the year ended 31 December 2020	(1,650)	1,650	(3,299)	3,299

### Fluctuation in our exchange rate

Our functional currency is U.S. dollar. However, during the Track Record Period, most of our business transactions, assets and liabilities were denominated in currencies other than the functional currency of our Group such as Hong Kong dollars, Euro, Great Britain Pound, Korean Won, Japanese Yen and RMB. In addition, our E-commerce customers generally settle their invoices using their designated currencies upon checkout via secure payment gateways, and the fund is transferred to our Group's account in U.S. dollar and Hong Kong dollars. During the Track Record Period, our Group recorded net foreign exchange losses of approximately US\$0.1 million, US\$0.2 million and US\$1.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. Our net foreign exchange losses increased from approximately US\$0.2 million for the year ended 31 December 2019 to approximately US\$1.3 million for the year ended 31 December 2020, primarily as a result of (i) the increase in total E-commerce order amounts processed by our payment gateway service providers, and (ii) the depreciations of USD against foreign currencies during the period. In addition to the order processing charges (a fixed percentage of transaction amount) recorded under our selling expenses, our payment gateway service providers also charged us a foreign exchange conversion processing fee when the funds were subsequently converted and withdrawn to our accounts in USD or HKD, and such charges contributed to the net foreign exchange losses recorded under our administrative expenses. The foreign currency conversion rates imposed by the payment gateway service providers were generally less favourable than the then prevailing foreign currency market rates considering the conversion processing services provided by them. Further, we were exposed to foreign currency loss resulting from any depreciation of USD against foreign currencies during the period between the order acceptance on our E-commerce platforms and the time of which we withdrew funds from our payment gateway accounts. We have recorded an increase in

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foreign exchange loss during the Track Record Period as a result of the increase in total E-commerce order amount and the corresponding increase in funds withdrawn by us (which resulted in the increase in foreign exchange conversion processing fee charged by the payment gateway companies), and the depreciation of USD against foreign currencies before fund withdrawal from our payment gateway accounts. For the three years ended 31 December 2018, 2019 and 2020, our net foreign exchange losses represented approximately 0.1%, 0.2% and 0.8% of the revenue generated from our E-commerce channels.

Due to uncertainties of foreign currencies exposure encountered by our Group, which is primarily driven by the amount of customer orders and their designated foreign currencies at purchase checkout, we currently do not have a formal foreign currency hedging policy for our E-commerce transactions. For our offline wholesale transactions, we will use foreign currency contracts to minimize against the risk when it is foreseen to be significant. For our E-commerce platforms transactions, we have adopted internal currency rates for customers who checkout with currencies other than U.S. dollars. Such internal rates are regularly reviewed and determined by us with reference to the prevailing foreign currency rate, the estimated foreign exchange conversion costs charged by payment gateway service providers and the historical trend of currency exchange rates. Our financial controller compares our internal rates against the prevailing market rates on an on-going basis and updates the internal rates if necessary, and to maintain a buffer over the market rates to hedge against possible currency exchange losses. For details, please refer to section headed “Business — Internal Control — Internal control of foreign currency” of this prospectus. In addition, we would also record the effects of foreign exchange differences between such internal foreign currency rates applied to the actual customer transactions and the average foreign exchange rate during the reporting period in our revenue during the preparation of our financial statements. For the three years ended 31 December 2018, 2019 and 2020, the total foreign exchange effects reflected in our revenue (including the effects of our setting of internal foreign currency rates over the prevailing market rates, and their differences with the corresponding average foreign exchange rates during the reporting period) amounted to approximately US\$1.8 million, US\$3.0 million and US\$6.1 million respectively and represented approximately 2.3%, 2.8% and 3.6% of the revenue generated from our E-commerce channels during the same period.

In view of the financial results during the Track Record Period and the internal procedures in place in determining the transaction prices with our E-commerce customers, our Directors believe that the impact of the increase in net foreign exchange losses on our cost structure and profitability was not material during the Track Record Period. Please refer to Note 6 of the Accountant’s Report for the sensitivity analysis which illustrates the approximate change in our Group’s profit for the year in response to reasonably possible changes in the foreign exchange rates of Korean Won, Japanese Yen, RMB, Great Britain Pound and Euro to which our Group has significant exposure to foreign currency risk.

Our profit margins will be negatively affected to the extent that we are unable to increase the selling prices of our products if there is any appreciation of settlement currencies to our suppliers, such as RMB, Korean Won and Japanese Yen against U.S. dollar which may affect the costs of our products.

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### **Evolving taxation regulations on E-commerce platforms**

In light of the complex global tax regulatory environment and the ambiguity in international coordination in the context of digital economy, the tax authorities of the jurisdictions in which we operate and sell our products may determine that the manner in which we operate our business is not consistent with the manner in which we report our income to the jurisdictions. Since 1 July 2020, the Group has imposed a policy to accept orders only with delivery address located in countries or regions where proper compliance measures have been put in place by our Group.

Levy of indirect tax may increase the prices of our products sold to our consumers and reduce our competitive advantage over our competitors that do not collect such indirect tax. The imposition by regional or national governments of various taxes upon E-commerce platforms could create administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on all of our online competitors and decrease our future sales. A successful assertion by one or more foreign countries and/or regions where a meaningful number of our customers are located that we should collect additional indirect tax on the sale of merchandise could result in substantial tax liabilities for our past sales, decreases our competitiveness against local retailers, and materially and adversely affects our business, financial condition and results of operations.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

Our Directors have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operation are set forth in detail in Note 4 to the Accountant's Report included in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items, the significant accounting estimates and judgements are set forth in detail in Note 5 to the Accountant's Report included in Appendix I to this prospectus. The determination of these items requires management judgments based on information and financial data that may change in future periods.

Our Directors believe the following accounting policies, estimates and judgements are of critical importance to our Group in the preparation of our consolidated financial statements.

#### **Revenue and other income recognition**

Our revenue is measured at fair value of the consideration received or receivable, and represents amounts receivable for the E-commerce transactions and offline wholesale of products, stated net of value-added taxes, sales taxes, returns, rebates and discounts.

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### *E-commerce platforms*

Revenue generated from the sale of goods through our E-commerce platforms is recognised on a trade date basis when the relevant transactions are executed and there is no unfulfilled obligation that affects the customer's acceptance of the products. Payment of the transaction price is due immediately when the customer purchases the goods.

### *Offline wholesale channel*

Revenue generated from the sale of goods through our offline wholesale channel is recognised when control of the products has transferred, being when the products are delivered to the wholesaler. Goods are considered as delivered once they have been shipped in accordance with the terms of contract. The wholesaler generally has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that affects the wholesaler's acceptance of the products.

### *Customer loyalty programme*

Our Group operates a customer loyalty programme, where certain customers accumulate points for purchases made which entitle them to purchase goods at certain discounts on future purchases. Our customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocates a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. The amount allocated to the loyalty program is recognised as a contract liability, and revenue is recognised when the rewards are redeemed or expired.

### *Others*

Shipping revenue and service revenue are recognised over time when the services are performed. Our shipping revenue represents the amounts we charged our customers for the delivery of products they ordered, and is recognised over time based on the actual service provided up to the end of the reporting period as a proportion of the total time for completion of the delivery services provided. Our service revenue mainly represents the income in relation to the supporting services provided to an online shop in the PRC.

Consignment commission represents commission earned for goods consigned to the Group and the income is recognised when the control of consigned goods is transferred to the customer.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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### **Inventories**

Our inventories are stated at the lower of cost and net realisable value. Cost of our inventories is determined using the first in, first out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Adoption of HKFRS 9, HKFRS 15 and HKFRS 16**

While our Group has adopted HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments during the Track Record Period, we adopted HKFRS 16 Leases on 1 January 2019 and Hong Kong Accounting Standards 17 (“**HKAS 17**”) for the year ended 31 December 2018. For the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position, see Note 3 to the Accountant’s Report included in Appendix I to this prospectus.

For further details, see Notes 3 and 4 to the Accountant’s Report included in Appendix I to this prospectus.

### **Share-based payments**

Our Group issues equity-settled share-based payments to certain Directors and employees and they are measured at the fair value of the equity instruments at the date of grant, excluding the effect of non-market-based vesting conditions. The fair value is expensed on a straight-line basis over the vesting period, based on our Group’s estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. On the other hand, our Group issues equity-settled share-based payments to consultants, and they are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date our Group receives the services and is recognised as an expense.

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	85,364	117,589	173,319
Cost of sales	<u>(56,297)</u>	<u>(79,941)</u>	<u>(111,448)</u>
Gross profit	29,067	37,648	61,871
Other income and other gains and losses	110	105	3,150
Selling expenses	(9,980)	(14,946)	(21,563)
Administrative expenses	(14,366)	(18,279)	(29,704)
(Impairment losses)/reversal of impairment losses for trade receivables	–	(21)	10
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	<u>–</u>	<u>(99)</u>	<u>10</u>
<b>Profit from operations</b>	4,831	4,408	13,774
Finance costs	<u>(6)</u>	<u>(138)</u>	<u>(336)</u>
<b>Profit before tax</b>	4,825	4,270	13,438
Income tax expenses	<u>(833)</u>	<u>(901)</u>	<u>(2,218)</u>
<b>Profit for the year</b>	<u><u>3,992</u></u>	<u><u>3,369</u></u>	<u><u>11,220</u></u>

**Non-HKFRS measures**

For the year ended 31 December 2020, we recognized the Listing expenses as a non-recurring item.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profit for the year as non-HKFRS measures.

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The table below sets forth the adjusted net profit during the Track Record Period:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Adjusted net profit</b>			
Profit for the year	3,992	3,369	11,220
Adjusted for:			
— Listing expenses	—	—	2,109
Adjusted net profit for the year	3,992	3,369	13,329

Excluding the Listing expenses, our profit for the year ended 31 December 2020 would be approximately US\$13.3 million (non-HKFRS measures), representing adjusted net profit margin (non-HKFRS measure) of approximately 7.7%.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring items which are considered not indicative for evaluation of the actual performance of our business. The adjusted net profit margin is not a measure of performance under HKFRS. This non-HKFRS financial data is a supplemental financial measure that is not required by, or presented in accordance with, the HKFRS and is therefore referred to as a “non-HKFRS” financial measure. We believe these non-HKFRS measures are a more accurate indication of our profitability and operating performance for the year ended 31 December 2020. However, these non-HKFRS measures should not be considered in isolation or construed as an alternative to net profit or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS. The use of non-HKFRS measures has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. Potential investors should be aware that these non-HKFRS measures presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

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**DESCRIPTION OF CERTAIN LINE ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Revenue**

Our Group sells (i) fashion & lifestyle and beauty products; and (ii) entertainment products to retail and wholesale customers through our E-commerce platforms and offline wholesale channels. Our revenue is measured at the fair value of the consideration received or receivable for the E-commerce transactions and offline wholesale of products, stated net of value added taxes, sales taxes, returns, rebates and discounts. Our revenue for the three years ended 31 December 2020 was approximately US\$85.4 million, US\$117.6 million and US\$173.3 million, respectively.

The following table sets forth our revenue by product delivery region for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
United States	28,798	36,919	72,693
European countries			
France	4,045	8,474	14,441
Germany	3,213	6,124	9,817
Spain	907	1,788	3,270
Italy	943	1,267	2,190
Netherlands	1,206	1,914	3,040
Sweden	908	1,124	1,423
Other EU Countries <sup>(1)</sup>	3,366	5,362	8,501
United Kingdom	8,669	10,191	14,674
Australia	9,167	9,591	12,074
Canada	6,996	9,347	10,934
Japan <sup>(2)</sup>	5,388	9,499	5,538
Hong Kong	1,712	2,110	3,464
New Zealand	1,181	1,406	1,331
Singapore	994	1,049	1,179
Others <sup>(3)</sup>	7,871	11,424	8,750
	<b>85,364</b>	<b>117,589</b>	<b>173,319</b>
<b>Total</b>	<b>85,364</b>	<b>117,589</b>	<b>173,319</b>

<sup>(1)</sup> Other EU countries include sales to EU countries, such as Belgium, Austria, Finland, Ireland, Denmark, Poland, Czech Republic, Portugal and Hungary, that individually contributed less than 2% of our total revenue during the Track Record Period.

<sup>(2)</sup> Include revenue of approximately US\$5.0 million, US\$9.0 million and US\$4.9 million for the years ended 31 December 2018, 2019 and 2020, respectively, generated from our offline B2B wholesale channel.

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<sup>(3)</sup> Others include sales to countries that individually contributed less than 1% of our total revenue during the Track Record Period.

During the Track Record Period, revenue generated from the United States, United Kingdom, France, Australia, Canada, Germany, Japan and Hong Kong accounted for a substantial portion of our revenue, reflecting our global client base. Revenue generated from the United States accounted for more than 30% of our revenue for the three years ended 31 December 2020.

The following table sets forth the breakdown of our revenue by business segments for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Fashion & lifestyle and beauty products						
— YesStyle	71,350	83.6	99,830	84.9	157,004	90.6
— asianbeautywholesale	<u>1,382</u>	<u>1.6</u>	<u>3,008</u>	<u>2.6</u>	<u>6,191</u>	<u>3.6</u>
	72,732	85.2	102,838	87.5	163,195	94.2
Entertainment products						
— YesAsia	7,599	8.9	5,709	4.8	5,231	3.0
— Offline wholesale	<u>5,033</u>	<u>5.9</u>	<u>9,042</u>	<u>7.7</u>	<u>4,893</u>	<u>2.8</u>
	<u>12,632</u>	<u>14.8</u>	<u>14,751</u>	<u>12.5</u>	<u>10,124</u>	<u>5.8</u>
Total	<u><u>85,364</u></u>	<u><u>100.0</u></u>	<u><u>117,589</u></u>	<u><u>100.0</u></u>	<u><u>173,319</u></u>	<u><u>100.0</u></u>

For the three years ended 31 December 2020, revenue generated from the sale of our fashion & lifestyle and beauty products was approximately US\$72.7 million, US\$102.8 million and US\$163.2 million, respectively, representing approximately 85.2%, 87.5% and 94.2% of our total revenue, respectively.

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The following table sets forth the breakdown of our revenue by product types for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$000</i>	%	<i>US\$000</i>	%	<i>US\$000</i>	%
Fashion & lifestyle products	39,482	46.2	51,893	44.1	84,192	48.6
Beauty products	33,250	39.0	50,945	43.4	79,003	45.6
— Korean Beauty products	27,289	32.0	42,955	36.6	68,370	39.5
— Others	5,961	7.0	7,990	6.8	10,633	6.1
Entertainment products	12,632	14.8	14,751	12.5	10,124	5.8
<b>Total</b>	<b><u>85,364</u></b>	<b><u>100.0</u></b>	<b><u>117,589</u></b>	<b><u>100.0</u></b>	<b><u>173,319</u></b>	<b><u>100.0</u></b>

The following table sets forth the breakdown of our revenue by nature for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Sales of merchandise, recognised at point in time	77,118	90.3	106,383	90.5	156,508	90.3
Shipping revenue, recognised over time	8,240	9.7	11,199	9.5	16,807	9.7
Consignment sales recognised at point in time	6	—*	7	—*	4	—*
<b>Total</b>	<b><u>85,364</u></b>	<b><u>100.0</u></b>	<b><u>117,589</u></b>	<b><u>100.0</u></b>	<b><u>173,319</u></b>	<b><u>100.0</u></b>

\* *Note: less than 0.1%*

For the three years ended 31 December 2020, revenue generated from the sales of merchandise accounted for majority of our revenue.

Our Directors are of the view that our above industry revenue growth during the Track Record Period when comparing with similar businesses in the industry was contributed by (i) our continuous effort in strengthening our marketing strategy to support customer retention and acquisition and long-term ecosystem development such as engaging influencers and KOLs during the Track Record Period; (ii) our efforts in establishing and building the reputation of our platforms and customer services; and (iii) wider varieties and selections of fashion and beauty products offered by our Group than some of our competitors.

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### *Reconciliation of Total Order Amount to Segmental Revenue*

#### *YesStyle*

The following table sets forth the reconciliation of our total order amount from YesStyle to the corresponding segmental revenue for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total order amount	72,046	101,664	154,856
Add/(less):			
— Post-sale order refund and adjustments <sup>(1)</sup>	(1,902)	(2,025)	(3,278)
— Payment for indirect tax	—	(2,363) <sup>(4)</sup>	(2,162)
— Accounting adjustments <sup>(2)</sup>	(614)	(442)	1,635
— Effects on foreign exchange <sup>(3)</sup>	1,820	2,996	5,953
<b>Segmental Revenue</b>	<b><u>71,350</u></b>	<b><u>99,830</u></b>	<b><u>157,004</u></b> <sup>(5)</sup>

*Notes:*

- (1) Included order refund, cancellation or order amount adjustments due to the non-fulfilment of order acceptance conditions.
- (2) Included provision for sales return, deferred revenue for friend reward program, unredeemed coupon and customer loyalty program and effect of shipping revenue satisfied over time.
- (3) Primarily due to the differences between our internal foreign currency rates and the prevailing market rates. For details, please refer to the section headed “Financial Information — Factors affecting our financial results — Fluctuation in our exchange rate” of this prospectus.
- (4) Included indirect tax for E-commerce retail transactions taken place during the year ended 31 December 2018.
- (5) Our total order amount from our YesStyle platforms for the year ended 31 December 2020 was less than the corresponding segmental revenue, primarily due to the effects on foreign exchange of approximately US\$6.0 million as a result of the adoption of our internal foreign exchange currency rates offered to our E-commerce customers who checkout with currencies other the U.S. dollars in order to hedge against possible currency exchange losses resulted from payment gateways currency conversion.

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### *asianbeautywholesale*

The following table sets forth the reconciliation of our total order amount from *asianbeautywholesale* to the corresponding segmental revenue for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total order amount	1,379	2,978	6,080
Add/(less):			
— Post-sale order refund and adjustments <sup>(1)</sup>	(14)	(15)	(46)
— Accounting adjustments <sup>(2)</sup>	(2)	(2)	(4)
— Effects on foreign exchange <sup>(3)</sup>	19	47	161
Segmental Revenue <sup>(4)</sup>	1,382	3,008	6,191

*Notes:*

- (1) Included order refund, cancellation or order amount adjustments due to the non-fulfilment of order acceptance conditions.
- (2) Included provision for sales return and effect of shipping revenue satisfied over time.
- (3) Primarily due to the differences between our internal foreign currency rates and the prevailing market rates. For details, please refer to the section headed “Financial Information — Factors affecting our financial results — Fluctuation in our exchange rate” of this prospectus.
- (4) Our total order amount from our *asianbeautywholesale* platform for the three years ended 31 December 2018, 2019 and 2020 were less than the corresponding segmental revenue, primarily due to effects on foreign exchange of approximately US\$19,000, US\$47,000 and US\$161,000 during the same period as a result of the adoption of our internal foreign exchange currency rates offered to our E-commerce customers who checkout with currencies other the U.S. dollars in order to hedge against possible currency exchange losses resulted from payment gateways currency conversion.

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*YesAsia*

The following table sets forth the reconciliation of our total order amount from YesAsia to the corresponding segmental revenue for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total order amount	7,655	5,828	5,399
Add/(less):			
— Post-sale order refund and adjustments	(52)	(56)	(115)
— Payment for indirect tax	—	(70) <sup>(2)</sup>	(52)
— Accounting adjustments <sup>(1)</sup>	(4)	7	(1)
Segmental Revenue	7,599	5,709	5,231

*Notes:*

- (1) Included deferred revenue for unredeemed coupon and effect of shipping revenue satisfied over time.
- (2) Included indirect tax for E-commerce retail transactions taken place during the year ended 31 December 2018.
- (3) There has been no effect on foreign exchange on our YesAsia platform as the customers are only allowed to checkout their purchases in USD only.

*Offline wholesale*

The following table sets forth the reconciliation of our total order amount from offline wholesale to the corresponding segmental revenue for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total order amount	5,362	9,701	5,147
Less:			
— Post-sale order refund and adjustments	(10)	(22)	(5)
— Accounting adjustments <sup>(1)</sup>	(319)	(637)	(249)
Segmental Revenue	5,033	9,042	4,893

*Note:* (1) Included post-sales rebate to customers and exchange difference arising from consolidation of YesAsia.com. Japan Kabushiki Kaisha.

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### Cost of sales

Our cost of sales primarily consists of product costs, freight charges and packing materials. Product costs were the largest component of our cost of sales during the Track Record Period. For the three years ended 31 December 2020, our cost of sales amounted to approximately US\$56.3 million, US\$79.9 million and US\$111.4 million, respectively, representing approximately 65.9%, 68.0% and 64.3% of our revenue for the same years, respectively.

The following table sets forth the breakdown of our cost of sales for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Product costs	37,989	67.5	53,415	66.8	67,391	60.5
Freight charges	17,454	31.0	25,211	31.5	42,717	38.3
Packing materials	854	1.5	1,315	1.7	1,340	1.2
Total	<u>56,297</u>	<u>100.0</u>	<u>79,941</u>	<u>100.0</u>	<u>111,448</u>	<u>100.0</u>

The following table sets forth the breakdown of our cost of sales by business segments for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Fashion & lifestyle and beauty						
— YesStyle	45,473	80.8	65,455	81.9	98,453	88.3
— asianbeautywholesale	1,055	1.9	2,248	2.8	4,727	4.3
	46,528	82.7	67,703	84.7	103,180	92.6
Entertainment products						
— YesAsia	5,512	9.8	4,260	5.3	4,038	3.6
— Offline wholesale	4,257	7.5	7,978	10.0	4,230	3.8
	9,769	17.3	12,238	15.3	8,268	7.4
Total	<u>56,297</u>	<u>100.0</u>	<u>79,941</u>	<u>100.0</u>	<u>111,448</u>	<u>100.0</u>

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### Gross profit

Our gross profit consists of our revenue less cost of sales and reflects the direct profit made from the sale of our procured products. Our gross profit was approximately US\$29.1 million, US\$37.6 million and US\$61.9 million for the three years ended 31 December 2020, respectively, representing gross profit margin of approximately 34.1%, 32.0% and 35.7% for the same years, respectively.

The following table sets forth the breakdown of our gross profit by business segments for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>profit</i>		<i>profit</i>		<i>profit</i>	
	<i>margin</i>		<i>margin</i>		<i>margin</i>	
	<i>US\$'000</i>	<i>(%)</i>	<i>US\$'000</i>	<i>(%)</i>	<i>US\$'000</i>	<i>(%)</i>
Fashion & lifestyle and beauty						
— YesStyle	25,877	36.3	34,375	34.4	58,551	37.3
— asianbeautywholesale	327	23.6	760	25.3	1,464	23.6
	26,204	36.0	35,135	34.2	60,015	36.8
Entertainment products						
— YesAsia	2,087	27.5	1,449	25.4	1,193	22.8
— Offline wholesale	776	15.4	1,064	11.8	663	13.5
	2,863	22.7	2,513	17.0	1,856	18.3
Total	29,067	34.1	37,648	32.0	61,871	35.7

### Other income and other gains and losses

Our other income and other gains and losses consists of government subsidy income, cash rebate or incentive income, gain on remeasurement upon modification, gains or losses on disposal of property, plant and equipment, interest income from bank deposits and financial assets at FVTPL, service revenue and sundry income. For the three years ended 31 December 2020, we had other income and other gains and losses of approximately US\$110,000, US\$105,000 and US\$3.2 million, respectively. During the year ended 31 December 2020, we received government subsidy income of approximately US\$3.1 million, primarily being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government aimed to provide temporary financial support to employers to retain employees who may otherwise be made redundant due to the outbreak of COVID-19. Our cash rebate or incentive income represents amounts received from payment gateways and credit card service providers. Our sundry income of approximately US\$48,000 for the year ended 31 December 2018 mainly represents

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forfeiture income on unused coupons distributed for marketing purpose and approximately US\$50,000 for the year ended 31 December 2019, attributable to the reversal of provision previously made based on the contract price of an administration software.

Up to the Latest Practicable Date, our Group received government subsidy income of approximately US\$3.1 million, being (i) the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, (ii) a subsidy grant of approximately US\$18,000 provided by the Japanese Government in light of the outbreak of COVID-19, and (iii) government subsidy of approximately US\$4,000 granted by the Japanese Government during the first quarter of 2021 for purchasing equipment for work-from-home arrangement of our Japan office. Our Directors are of the view that we will not receive further COVID-19 related subsidy going forward.

During the year ended 31 December 2018, we generated a total service revenue of approximately US\$11,000 and US\$2,000 for the provision of supporting services to the online stores owned by a client in the PRC and advertising services through an advertisement programme maintained by a search engine on our websites, respectively. Since March 2009, we were contracted by Florich Trading Company Limited (“**Florich**”), and its wholly-owned subsidiary, 小蜜蜂(台山)制衣有限公司, as an independent contractor to provide online store development, maintenance and sales and marketing services for the sale of its babies and kids products targeting customers in the PRC.

Florich is a majority-controlled entity by the family members and relatives of Mr. Lau, which include Mr. Lau Wai Ho (a shareholder of our Company and father of Mr. Lau), Mr. Lau Wai Kit Winkie (a shareholder of our Company and a relative of Mr. Lau), and Ms. Lau Mui Shuen (an indirect shareholder of our Company and a relative of Mr. Lau), all of whom are also directors of Florich.

The salient terms of the agreements are as follows:

- *Contractual term:* Three years, according to the agreement dated 1 March 2009, and the agreement was terminated with effect from 1 March 2018.
- *Scope of work:* Provision of (i) data center rental services, (ii) network and service equipment, (iii) monthly website promotion and website updates, (iv) monthly newsletter delivery services, (v) inventory and customer data backend system management services, (vi) customer relationship management services, (vii) warehouse logistics and packaging services (viii) loyalty program management services, (ix) monthly maintenance services, (x) warehouse rental services, (xi) product design and data production services, and (xii) sales and marketing services.
- *Payment and credit terms:* The owner of the online shop shall pay us the prescribed services fees on a monthly basis. Such payment shall be settled within 30 days after the end of each month. Additional fees will be charged if we provided additional or upgraded services. Florich had decided to transfer its payment obligation to 小蜜蜂(台山)制衣有限公司 since July 2012 to facilitate the payment processes for its business operations in the PRC.

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The service fees were determined based on a cost-plus formula which was reached upon an arm's length negotiation between the parties with reference to the nature of work and level of human resources incurred in our provision of services and the estimated level of profit margin. Our Directors confirm that these transactions were conducted on normal commercial terms, which are considered fair, reasonable and in the interest of our Shareholders as a whole.

Our Directors considered that the termination of business relationship between Florich and us has no material adverse impact on our business operations and the termination was due to the insignificant contributions of service income recorded and our desire to consolidate our resources in the promotion of our business. As at the Latest Practicable Date, we did not intend to continuously provide any supporting services to any online shop.

The following table sets forth the breakdown of our other income and other gains and losses for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Government subsidy income	–	–	–	–	3,139	99.7
Cash rebate/incentive income	–	–	20	19.0	38	1.2
Gain on remeasurement upon modification	23	20.9	1	1.0	30	0.9
Gains/(losses) on disposals of property, plant and equipment	8	7.3	–*	–	(103)	(3.3)
Interest income from:						
— Bank deposits	18	16.4	34	32.4	18	0.6
— Financial assets at FVTPL	–	–	–	–	13	0.4
Reversal of provision on reinstatement costs	–	–	–	–	10	0.3
Service revenue	13	11.8	–	–	–	–
Sundry income	48	43.6	50	47.6	5	0.2
<b>Total</b>	<b>110</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>3,150</b>	<b>100.0</b>

\* *Note: less than US\$1,000.*

### Selling expenses

Our selling and distribution expenses primarily consist of marketing and promotion fees, outsourced warehouse labor charges, payment gateway charges, warehouse wages, custom duties, IT networking and web content and translation fee. Our marketing and promotion fees primarily consist of expenses in relation to localized marketing campaigns which represent expenditure in targeted marketing and social media outreach to promote our brand to potential local customers through devising local marketing campaigns, KOL and influencer expenses which include products and coupons offered to KOLs and

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influencers, commission offered to KOLs and influencers, affiliate program expenses, and retention and other marketing expenses. Our warehouse wages represent wages for our warehouse staff and our outsourced warehouse labor charges represent wages for outsourced warehouse labor. For the three years ended 31 December 2020, our selling expenses amounted to approximately US\$10.0 million, US\$14.9 million and US\$21.6 million, respectively, representing approximately 11.7%, 12.7% and 12.4% of our revenue for the same years, respectively.

The following table sets forth the breakdown of our selling expenses for the years indicated:

	<b>Year ended 31 December</b>					
	<b>2018</b>		<b>2019</b>		<b>2020</b>	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Marketing and promotion fees	3,609	36.1	5,056	33.8	7,124	33.0
Outsourced warehouse labor charges	989	9.9	2,834	19.0	4,239	19.7
Payment gateway charges	1,863	18.7	2,523	16.9	3,952	18.3
Warehouse wages	2,550	25.6	2,955	19.8	3,863	17.9
Custom duties	223	2.2	678	4.5	1,328	6.2
IT networking	397	4.0	476	3.2	630	2.9
Web content and translation fee	349	3.5	424	2.8	427	2.0
<b>Total</b>	<b>9,980</b>	<b>100.0</b>	<b>14,946</b>	<b>100.0</b>	<b>21,563</b>	<b>100.0</b>

The following table sets forth the breakdown of our marketing and promotion fees for the years indicated:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Performance marketing	2,584	3,190	4,550
Influencer marketing	641	1,700	2,224
Retention marketing	40	86	51
Social media marketing	82	74	74
Other marketing expenses <sup>(Note 1)</sup>	262	6	225
	<b>3,609</b>	<b>5,056</b>	<b>7,124</b>

*Note:*

1. Including (i) sponsorship expenses paid to webmasters who have a blog about beauty or fashion products to review our products; (ii) expenses paid to public relations; and (iii) marketing software and tool subscription.

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### Administrative expenses

Our administrative expenses primarily consist of staff costs, depreciation of right-of-use assets, legal and professional fees, net exchange gains or losses, Listing expenses, depreciation of property, plant and equipment, rates and management fee, utilities expenses, Directors' remuneration, staff training and recruitment expenses, auditor's remuneration, operating lease charges and others. During the Track Record Period, our rates and management fee represented rates and management fees for offices and warehouses and our net exchange gains or losses, mainly represented exchanges gains or losses from the settlements of payments by the payment gateway companies into our accounts in designated currencies. For the three years ended 31 December 2020, our administrative expenses amounted to approximately US\$14.4 million, US\$18.3 million and US\$29.7 million, respectively, representing approximately 16.9%, 15.6% and 17.1% of our revenue for the same years, respectively.

The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Staff costs	10,345	72.0	12,421	68.0	16,497	55.5
Depreciation of right-of-use assets	–	–	1,660	9.1	3,444	11.6
Legal and professional fees	458	3.2	594	3.2	1,867	6.3
Exchange (gains)/losses, net	126	0.8	196	1.1	1,304	4.4
Listing expenses	–	–	–	–	2,109	7.1
Depreciation of property, plant and equipment	382	2.7	452	2.5	871	2.9
Rates and management fee	151	1.1	279	1.5	757	2.5
Utilities expenses	391	2.7	495	2.7	761	2.6
Directors' remuneration	520	3.6	731	4.0	611	2.1
Staff training and recruitment expenses	340	2.4	476	2.6	166	0.6
Auditor's remuneration	91	0.6	100	0.5	178	0.6
Operating lease charges	1,245	8.7	50	0.3	29	0.1
Others	317	2.2	825	4.5	1,110	3.7
<b>Total</b>	<b>14,366</b>	<b>100.0</b>	<b>18,279</b>	<b>100.0</b>	<b>29,704</b>	<b>100.0</b>

### Impairment losses and reversal of impairment losses for trade receivables

Our Group recognizes a loss allowance for expected credit loss on trade receivables. The amount of expected credit loss is reviewed at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Our Group always recognizes lifetime expected credit loss. For the year ended 31 December 2019, our

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impairment losses for trade receivables amounted to approximately US\$21,000. For the year ended 31 December 2020, we recorded gains on reversal of impairment losses for trade receivables of approximately US\$10,000.

### Fair value gain or loss on financial assets at fair value through profit or loss

In August 2019, our Group entered into a life insurance policy to insure Mr. Lau, our Chief Executive Officer, an executive Director and our Controlling Shareholder, which is considered as financial assets of our Group. Under the policy, the beneficiary and the policy holder is YesStyle.com Limited and the total insured sum is approximately US\$2.5 million. The fair value of investment in life insurance policies is determined by reference to the cash surrender value as provided by the insurance company. As at 31 December 2019 and 2020, the life insurance was pledged to a bank to secure banking facilities of our Group. For details of our financial assets at fair value through profit or loss, see Note 20 to the Accountant's Report included in Appendix I to this prospectus. For the year ended 31 December 2019, our fair value loss on financial assets at fair value through profit or loss amounted to approximately US\$99,000. We recorded fair value gain on financial assets at fair value through profit or loss of approximately US\$10,000 for the year ended 31 December 2020.

### Finance costs

Our finance costs primarily consist of interest expenses on lease liabilities, interest expenses on provision for reinstatement costs, interest on bank borrowings and finance lease charges. For the three years ended 31 December 2020, our finance costs amounted to approximately US\$6,000, US\$138,000 and US\$336,000, respectively.

The following table sets forth the breakdown of our finance costs for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Interest expenses on lease liabilities	–	–	121	87.7	314	93.4
Interest on bank borrowings	–	–	8	5.8	12	3.6
Interest expenses on provision for reinstatement costs	–	–	9	6.5	10	3.0
Finance lease charges	6	100.0	–	–	–	–
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>	<b>336</b>	<b>100.0</b>

### Income tax expenses

Hong Kong profit tax is calculated at 16.5% based on the estimated assessable profit during the Track Record Period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime since the financial year

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ended 31 December 2018. Under the two-tiered profits tax regime, profits tax rate for the first HK\$2.0 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25% and profits above that amount will be subject to the tax rate of 16.5%.

Our subsidiary in Korea is subject to Korean corporate income tax which comprised national and local taxes that were charged at the progressive rate from 11.0% to 24.2% on the estimated assessable profit during the Track Record Period. The relevant rates applicable to our subsidiary in Korea was 11.0% on the estimated assessable profits during the Track Record Period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on the then existing legislation, interpretation and practices in respect thereof.

The following table sets forth the breakdown of our income tax:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current tax — Hong Kong profit tax			
— Provision for the year	776	760	1,967
— Under-provision in current year	—	—	(14)
— Over-provision in prior years	(4)	—*	(17)
	772	760	1,936
Current tax — Overseas corporate income tax			
— Provision for the year	51	152	229
— (Under)/over-provision in current year	—	(35)	37
— Under-provision in prior years	—*	24	16
	51	141	282
Deferred tax	10	—	—
Total	833	901	2,218

\* *Note: less than US\$1,000.*

For the three years ended 31 December 2020, our effective tax rate was approximately 17.3%, 21.1% and 16.5%, respectively.

For details of our income tax expense, see Note 12 to the Accountant's Report included in Appendix I to this prospectus.

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### **Profit for the year**

Our profit for the year consists of our gross profit plus other income and other gains and losses, reversal of impairment loss for trade receivables and fair value gain on financial assets at fair value through profit or loss, less selling expenses, administrative expenses, impairment losses for trade receivables, fair value loss on financial assets at fair value through profit or loss, finance costs and income tax expense. Our profit for the year was approximately US\$4.0 million, US\$3.4 million and US\$11.2 million for the three years ended 31 December 2020, respectively, representing net profit margin of approximately 4.7%, 2.9% and 6.5% for the same years, respectively.

Our adjusted net profit (non-HKFRS measures) for the year ended 31 December 2020 would be approximately US\$13.3 million, representing adjusted net profit margin (non-HKFRS measures) of approximately 7.7%.

### **RESULTS OF OPERATION OF OUR GROUP**

#### **Comparison of the year ended 31 December 2020 to the year ended 31 December 2019**

##### *Revenue*

Our revenue increased by approximately US\$55.7 million from approximately US\$117.6 million for the year ended 31 December 2019 to approximately US\$173.3 million for the year ended 31 December 2020, representing an increase of approximately 47.4%.

The increase in our revenue was primarily due to the increase in revenue generated from the sales of our fashion & lifestyle and beauty products of approximately US\$60.4 million as a result of our increased efforts in enhancing our marketing campaign, the reshaped purchase pattern from offline to online under the COVID-19 pandemic and the increased popularity of Korean culture, which led to (i) the increase in new customers of approximately 980,000 on our YesStyle platforms; (ii) the increase in new customers of approximately 1,600 on our AsianBeautyWholesale website; and (iii) the increase in revenue generated from countries such as the United States and United Kingdom by approximately US\$35.8 million and US\$4.5 million, respectively.

Further, the increase in our revenue was also contributed by various targeted marketing initiatives launched during the year, which include (i) the local marketing campaigns managed by our sales and marketing employees who were responsible for analysing local market trends and customers' preferences after the launches of our YesStyle French and Deutsche websites in April 2018 and December 2018, which resulted in the respective increases in our revenue of approximately US\$6.0 million and US\$3.7 million in France and Germany, respectively; (ii) the launch of our YesStyle website in Spanish in August 2019 which led to an increase in our revenue of approximately US\$1.5 million in Spain; (iii) our strengthened influencer marketing initiatives which led to the increase in revenue from approximately US\$7.9 million for the year ended 31 December 2019 to approximately US\$27.4 million for the year ended 31 December 2020 due to the increase in number of KOLs and influencers engaged from approximately 20,000 for the year ended 31

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December 2019 to approximately 91,000 for the year ended 31 December 2020; and (iv) the launch of our silver membership marketing campaign in April 2020 to encourage customers to download our YesStyle app by offering discounts and coupons.

In addition, we registered an increase in average order size of our E-commerce platforms from approximately US\$61.4 for the year ended 31 December 2019 to approximately US\$72.7 for the year ended 31 December 2020 by virtue of the increase in free shipping threshold to certain of our key countries since May 2020 in response to the freight charges imposed by our logistics service providers, and we also optimized our pricing formulas since October 2020 which resulted in an increase in our selling prices.

We introduced Apple Pay as one of our payment method options on our E-commerce platforms since May 2019, which our Directors believe that its increasing popularities in our key product delivery regions, including the US, have facilitated the growth in the number of customer transactions on our E-commerce platforms during the year.

### *Cost of sales*

Our cost of sales increased by approximately US\$31.5 million from approximately US\$79.9 million for the year ended 31 December 2019 to approximately US\$111.4 million for the year ended 31 December 2020, representing an increase of approximately 39.4%. The increase in our cost of sales was primarily due to (i) the increase in product costs and freight charges resulted from the increase in revenue for the same year, which were partially offset by a slower growth of product costs against our revenue growth due to the increase in procurement from resellers in the PRC in relation to our fashion products which generally entailed a lower level of cost margin; and (ii) the increase in freight rates charged by our logistic service providers since March 2020 attributed to the outbreak of COVID-19; and (iii) the increase in revenue generated from Europe during the year ended 31 December 2020 as the freight-out charges to Europe was generally higher than that of the United States.

### *Gross profit*

Our gross profit increased by approximately US\$24.3 million from approximately US\$37.6 million for the year ended 31 December 2019 to approximately US\$61.9 million for the year ended 31 December 2020, representing an increase of approximately 64.6%. Our gross profit margin increased from approximately 32.0% for the year ended 31 December 2019 to approximately 35.7% for the year ended 31 December 2020. The increase in gross profit and gross profit margin were primarily due to (i) the increase in revenue as a result of the increase in demand of our fashion & lifestyle and beauty products, partially offset by impact of the one-off indirect tax; (ii) the increase in percentage of revenue generated from our fashion & lifestyle and beauty products during the year ended 31 December 2020 as compared with the year ended 31 December 2019 as the gross profit margin of our fashion & lifestyle and beauty products was higher than our entertainment products; and (iii) the optimization of our pricing formulas during the year ended 31 December 2020 which resulted in an increase in our selling prices and profit margins. Further, during the year ended 31 December 2020, the total foreign exchange effects reflected in our revenue (including the effects of our setting of internal foreign currency rates over the prevailing market rates, and their differences with the corresponding average foreign exchange rates

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during the reporting period) increased by approximately US\$3.1 million from approximately US\$3.0 million during the year ended 31 December 2019 to approximately US\$6.1 million during the year ended 31 December 2020, representing an increase of approximately 103.3%. For details in relation to the fluctuations in our exchange rate, please refer to the section headed “Financial Information — Factors Affecting Our Financial Results — Fluctuation in our exchange rate” in this Prospectus.

### *Other income and other gains and losses*

Our other income and other gains increased by approximately US\$3.1 million from approximately US\$105,000 for the year ended 31 December 2019 to approximately US\$3.2 million for the year ended 31 December 2020, representing an increase of approximately 2,947.6%. The increase in our other income and other gains and losses was primarily due to the one-off government subsidy income of approximately US\$3.1 million during the year ended 31 December 2020, being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government aimed to provide temporary financial support to employers to retain employees who may otherwise be made redundant, and a subsidy grant of approximately US\$18,000 provided by the Japanese Government, due to the outbreak of COVID-19.

### *Selling expenses*

Our selling expenses increased by approximately US\$6.7 million from approximately US\$14.9 million for the year ended 31 December 2019 to approximately US\$21.6 million for the year ended 31 December 2020, representing an increase of approximately 45.0%. The increase in our selling expenses was primarily due to (i) the increase in marketing and promotion fees of approximately US\$2.0 million as a result of the increase in localized marketing campaigns of approximately US\$1.1 million and the increase in KOL and influencer expenses of approximately US\$0.5 million attributable to the increase in the number of KOLs and influencers from approximately 20,000 for the year ended 31 December 2019 to approximately 91,000 for the year ended 31 December 2020; (ii) the increase in warehouse wages of approximately US\$0.9 million as a result of the increase in warehouse employees for the new warehouse rented during the year ended 31 December 2020; (iii) the increase in outsourced warehouse labor charges of approximately US\$1.4 million as a result of the increase in the number of orders from approximately 1.8 million for the year ended 31 December 2019 to approximately 2.3 million for the year ended 31 December 2020; and (iv) the increase of payment gateway charges of approximately US\$1.4 million as a result of the increase in revenue during the year.

### *Administrative expenses*

Our administrative expenses increased by approximately US\$11.4 million from approximately US\$18.3 million for the year ended 31 December 2019 to approximately US\$29.7 million for the year ended 31 December 2020, representing an increase of approximately 62.3%. The increase in our administrative expenses was primarily due to (i) the increase in staff costs of approximately US\$4.1 million as a result of the increase in headcount, especially in our logistics, IT and marketing departments, to support our business expansion, and the increment in salaries and remuneration offered to our

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employees; (ii) the increase in depreciation of right-of-use assets of approximately US\$1.8 million as a result of the additional office and warehouse space rented during the year ended 31 December 2020; (iii) the increase in legal and professional fees of approximately US\$1.3 million primarily as a result of the engagement of Indirect Tax Consultant with respect to our overseas indirect tax compliance review exercise; (iv) the Listing expenses of approximately US\$2.1 million incurred during the year ended 31 December 2020; and (v) the increase in net exchange losses from payments settled by our payment gateway of approximately US\$1.1 million.

### *Reversal of impairment losses/impairment losses for trade receivables*

We had reversal of impairment losses for trade receivables of approximately US\$10,000 for the year ended 31 December 2020. For the year ended 31 December 2019, we had impairment losses on trade receivables of approximately US\$21,000.

### *Fair value loss or gain on financial assets at fair value through profit or loss*

We had fair value loss on financial assets at fair value through profit or loss of approximately US\$99,000 for the year ended 31 December 2019, and fair value gain on financial assets at fair value through profit or loss of approximately US\$10,000 for the year ended 31 December 2020 derived from the change of fair value of investment associated with the life insurance policy adopted to insure Mr. Lau.

### *Finance costs*

Our finance costs increased by approximately US\$198,000 from approximately US\$138,000 for the year ended 31 December 2019 to approximately US\$336,000 for the year ended 31 December 2020, representing an increase of approximately 143.5%. The increase in our finance costs was primarily due to the increase in interest expenses on lease liabilities of approximately US\$193,000 as a result of the additional office and warehouse space rented.

### *Income tax expense*

Our income tax expense increased by approximately US\$1.3 million from approximately US\$0.9 million for the year ended 31 December 2019 to approximately US\$2.2 million for the year ended 31 December 2020, representing an increase of approximately 144.4%, primarily due to the increase in profit before tax for the same year.

Our effective tax rate decreased from approximately 21.1% for the year ended 31 December 2019 to approximately 16.5% for the year ended 31 December 2020, due to (i) the non-taxable government subsidy of approximately US\$3.1 million; (ii) non-tax deductible expenses primarily including the equity-settled share-based payment of approximately US\$0.5 million, legal and professional fees of approximately US\$0.3 million and Listing expenses of approximately US\$2.1 million, which led to an increase in tax effect of expenses that are not deductible from US\$0.2 million to US\$0.6 million; (iii) temporary difference of depreciation of property, plant and equipment of approximately US\$0.4 million not

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recognised; (iv) tax effect of tax losses of approximately US\$33,000 not recognised. For further details, please refer to note 12 to the Accountant's Report included in Appendix I to this prospectus.

### *Profit for the year*

As a result of the foregoing, our profit for the year increased by approximately US\$7.8 million from approximately US\$3.4 million for the year ended 31 December 2019 to approximately US\$11.2 million for the year ended 31 December 2020, representing an increase of approximately 229.4%. Our net profit margin increased from approximately 2.9% for the year ended 31 December 2019 to approximately 6.5% for the year ended 31 December 2020. The increase in profit for the year and net profit margin were primarily due to the increase in revenue, the increase in procurement from resellers in PRC in relation to our fashion products which generally entailed a lower level of cost margin and the one-off government subsidy income of approximately US\$3.1 million, being the wage subsidy under the Employment Support Scheme, an anti-epidemic fund launched by the Hong Kong Government, partially offset by one-off expenses such as Listing expenses.

### **Comparison of the financial year ended 31 December 2019 to the financial year ended 31 December 2018**

#### *Revenue*

Our revenue increased by approximately US\$32.2 million from approximately US\$85.4 million for the year ended 31 December 2018 to approximately US\$117.6 million for the year ended 31 December 2019, representing an increase of approximately 37.7%.

The increase in our revenue was primarily due to the increase in revenue generated from the sales of our fashion & lifestyle and beauty products of approximately US\$30.1 million as a result of our increased efforts in enhancing our marketing campaign and the increased popularity of Korean culture which led to (i) the increase in new customers of approximately 620,000 on our YesStyle platforms; (ii) the increase in number of orders of approximately 0.5 million; and (iii) the increase in revenue generated from countries such as the United States and Canada of approximately US\$8.1 million and approximately US\$2.4 million, respectively. During the year, there was an increase in the number of Korean beauty branded products offered on our YesStyle platform, which our Directors believe to have facilitated the increase in our revenue.

In addition, the increase in our revenue was also resulted from our efforts in conducting localised marketing campaigns, which include (i) the launch of our YesStyle website in languages including French and Deutsch in April 2018 and December 2018, respectively, which were supported by our additional sales and marketing employees focusing on identifying local market trends and local customers' preferences, which led to the increases in our revenue of approximately US\$4.4 million and US\$2.9 million in France and Germany, respectively; (ii) the increase in revenue generated from the increase in the number of YesStyle app download during the year ended 31 December 2019, and (iii) the increase in revenue generated from our influencer marketing initiatives from approximately US\$0.8 million for the year ended 31 December 2018 to approximately US\$7.9 million for

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the year ended 31 December 2019 due to the launch of our *YesStyle Influencer Program* in February 2019, which resulted in the increase in the number of KOLs and influencers engaged from 105 for the year ended 31 December 2018 to approximately 20,000 for the year ended 31 December 2019.

During the year, we also registered an increase in revenue generated from the sale of our entertainment products through our offline wholesale channel in Japan of approximately US\$4.0 million as a result of the increase in demand for new entertainment products published by a Korean idol group.

### ***Cost of sales***

Our cost of sales increased by approximately US\$23.6 million from approximately US\$56.3 million for the year ended 31 December 2018 to approximately US\$79.9 million for the year ended 31 December 2019, representing an increase of approximately 41.9%. The increase in our cost of sales was primarily due to (i) the increase in product costs of approximately US\$15.4 million, which was in line with the increase in revenue for the same period; and (ii) the increase in freight charges of approximately US\$7.8 million as a result of the increase in freight rates charged by our logistic service providers attributed to the increase in revenue generated from Europe during the year ended 31 December 2019 as the freight-out charges to Europe was generally higher than that of the United States.

### ***Gross profit***

Our gross profit increased by approximately US\$8.5 million from approximately US\$29.1 million for the year ended 31 December 2018 to approximately US\$37.6 million for the year ended 31 December 2019, representing an increase of approximately 29.2%. Our gross profit margin decreased from approximately 34.1% for the year ended 31 December 2018 to approximately 32.0% for the year ended 31 December 2019, primarily due to the increase in freight rates charged by our logistic service providers and the impact of the one-off indirect tax recorded during the year ended 31 December 2019.

### ***Other income and other gains and losses***

Our other income and other gains and losses remained stable at approximately US\$110,000 for the year ended 31 December 2018 and approximately US\$105,000 for the year ended 31 December 2019.

### ***Selling expenses***

Our selling expenses increased by approximately US\$4.9 million from approximately US\$10.0 million for the year ended 31 December 2018 to approximately US\$14.9 million for the year ended 31 December 2019, representing an increase of approximately 49.0%. The increase in our selling expenses was primarily due to (i) the increase in outsourced warehouse labor charges of approximately US\$1.8 million as a result of the increase in the number of orders from approximately 1.3 million for the year ended 31 December 2018 to approximately 1.8 million for the year ended 31 December 2019 which required additional manpower to handle the increase in the number of orders; (ii) the increase in marketing and

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promotion fees of approximately US\$1.4 million primarily as a result of the increase in KOL and influencer expenses of approximately US\$0.6 million by virtue of the increase in KOL and influencers from 105 for the year ended 31 December 2018 to approximately 20,000 for the year ended 31 December 2019; and (iii) the increase in payment gateway charges of approximately US\$0.7 million which was in line with the increase in number of orders.

### *Administrative expenses*

Our administrative expenses increased by approximately US\$3.9 million from approximately US\$14.4 million for the year ended 31 December 2018 to approximately US\$18.3 million for the year ended 31 December 2019, representing an increase of approximately 27.1%. The increase in our administrative expenses was primarily due to (i) the increase in staff costs of approximately US\$2.1 million as a result of the increase in headcount from 384 as at 31 December 2018 to 497 as at 31 December 2019, especially in our logistics, IT and marketing departments, to support our business expansion; and (ii) the increase in depreciation of right-of-use assets of approximately US\$1.7 million, partially offset by the decrease of approximately US\$1.2 million in operating lease charges, as a result of the initial adoption of HKFRS 16 on 1 January 2019 and the additional office and warehouse space rented during the year.

### *Impairment losses for trade receivables*

We had impairment losses for trade receivables of approximately US\$21,000 for the year ended 31 December 2019 (nil for the year ended 31 December 2018).

### *Fair value loss on financial assets at fair value through profit or loss*

We had fair value loss on financial assets at fair value through profit or loss of approximately US\$99,000 for the year ended 31 December 2019 as our Group entered into a life insurance policy in August 2019 to insure Mr. Lau, our Chief Executive Officer, an executive Director and our Controlling Shareholder.

### *Finance costs*

Our finance costs increased by approximately US\$132,000 from approximately US\$6,000 for the year ended 31 December 2018 to approximately US\$138,000 for the year ended 31 December 2019, representing an increase of approximately 2,200.0%. The increase in our finance costs was primarily due to the increase in interest expenses on lease liabilities of approximately US\$121,000 as a result of the initial adoption of HKFRS 16 on 1 January 2019.

### *Income tax expense*

Our income tax expense remained stable at approximately US\$0.8 million for the year ended 31 December 2018 and approximately US\$0.9 million for the year ended 31 December 2019.

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Our effective tax rate increased from approximately 17.3% for the year ended 31 December 2018 to approximately 21.1% for the year ended 31 December 2019, primarily due to (i) non-tax deductible expenses during the year ended 31 December 2019 such as equity-settled share-based payment of approximately US\$0.5 million and indirect tax late payment, interest and penalty charges of approximately US\$0.2 million, which led to an increase in tax effect from US\$0.1 million to US\$0.2 million; and (ii) tax effect of tax losses of approximately US\$48,000 not recognised. For further details, please refer to note 12 to the Accountant's Report included in Appendix I to this prospectus.

### *Profit for the year*

As a result of the foregoing, our profit for the year decreased by approximately US\$0.6 million from approximately US\$4.0 million for the year ended 31 December 2018 to approximately US\$3.4 million for the year ended 31 December 2019, representing a decrease of approximately 15.0%. Our net profit margin decreased from approximately 4.7% for the year ended 31 December 2018 to approximately 2.9% for the year ended 31 December 2019. The decrease in our profit and net profit margin were primarily due to (i) the increase in selling expenses and administrative expenses, partially offset by the increase in gross profit during the year ended 31 December 2019 as mentioned above; and (ii) the impact of one-off indirect tax.

### **LIQUIDITY AND CAPITAL RESOURCES**

We have historically funded our liquidity and capital requirements primarily through a combination of cash generated from operating activities and bank borrowings. As at 31 December 2018, 2019 and 2020, we had bank and cash balances of approximately US\$9.9 million, US\$17.0 million and US\$28.5 million, respectively.

We require cash primarily for our operation and general working capital needs. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the net proceeds from the Global Offering, bank and cash balances and other possible equity and debt financings as and when appropriate.

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### Cash flows of our Group

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net cash generated from operating activities	4,719	9,700	20,135
Net cash used in investing activities	(755)	(1,684)	(2,292)
Net cash used in financing activities	(829)	(877)	(6,489)
Net increase in cash and cash equivalents	3,135	7,139	11,354
Effect of exchange rate changes	(24)	(62)	172
Cash and cash equivalents at beginning of year	6,550	9,661	16,738
Cash and cash equivalents at end of year	9,661	16,738	28,264

### Net cash generated from operating activities

For the year ended 31 December 2020, we had net cash generated from operating activities of approximately US\$20.1 million, mainly as a result of (i) the operating profit before changes in working capital of approximately US\$18.9 million; (ii) the income tax paid of approximately US\$1.7 million; (iii) the adjustments, primarily due to the increase in trade and other payables and accruals of approximately US\$7.0 million attributable to the increase in procurement because of the increase in demand for the products we offered to our customers and the accrued staff costs as well as accrued listing expenses, and the increase in contract liabilities of approximately US\$0.7 million; and (iv) the offsetting of changes in certain working capital items that negatively affected operating cash flow, mainly the increase in inventories of approximately US\$3.0 million because of the increase in demand for the products we offered to our customers, the increase in prepayments, deposits and other receivables of approximately US\$0.8 million, primarily due to the increase in prepayment to suppliers and the increase in trade receivables of approximately US\$0.6 million, which was also in line with the increase in revenue during the year.

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For the year ended 31 December 2019, we had net cash generated from operating activities of approximately US\$9.7 million, mainly as a result of (i) the operating profit before changes in working capital of approximately US\$7.3 million; (ii) the income taxes paid of approximately US\$0.2 million; (iii) the adjustments, primarily due to the increase in trade and other payables and accruals of approximately US\$2.9 million and the increase in contract liabilities of approximately US\$1.8 million arising from the increase in advance payments from our customers and our customer loyalty programme; and (iv) the offsetting of changes in certain working capital items that negatively affected operating cash flow, mainly the increase in prepayments, deposits and other receivables of approximately US\$0.9 million, primarily due to the increase in rental deposits and prepaid administrative expenses, and the increase in inventories of approximately US\$0.9 million.

For the year ended 31 December 2018, we had net cash generated from operating activities of approximately US\$4.7 million, mainly as a result of (i) the operating profit before the changes in working capital of approximately US\$5.5 million; (ii) the income taxes paid of approximately US\$0.3 million and the income taxes refunded of approximately US\$58,000; (iii) the adjustments mainly due to the increase in contract liabilities of approximately US\$1.8 million and the increase in trade and other payables and accruals of approximately US\$0.8 million; and (iv) the offsetting of changes in certain working capital items that negatively affected operating cash flow, mainly the increase in inventories of approximately US\$1.6 million, the increase in prepayments, deposits and other receivables of approximately US\$0.8 million, primarily due to the increase in prepayments to suppliers and the increase in trade receivables of approximately US\$0.7 million.

### **Net cash used in investing activities**

For the year ended 31 December 2020, we had net cash used in investing activities of approximately US\$2.3 million, which primarily consists of purchases of property, plant and equipment of approximately US\$2.3 million as a result of the additional office and warehouse space rented during the year.

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For the year ended 31 December 2019, we had net cash used in investing activities of approximately US\$1.7 million, which primarily consists of purchases of property, plant and equipment of approximately US\$0.9 million as a result of the additional office and warehouse space rented during the year and acquisition of financial assets at fair value through profit and loss of approximately US\$0.9 million as our Group entered into a life insurance policy in August 2019.

For the year ended 31 December 2018, we had net cash used in investing activities of approximately US\$0.8 million, which primarily consists of (i) purchases of property, plant and equipment of approximately US\$0.6 million contributed by the addition of computer software and equipment; and (ii) the increase in non-pledged bank deposits of approximately US\$0.2 million denominated in Korean Won.

### **Net cash used in financing activities**

For the year ended 31 December 2020, we had net cash used in financing activities of approximately US\$6.5 million, which primarily consists of (i) the repurchase of shares of approximately US\$2.7 million, which was partially offset by proceeds from issuance of shares of approximately US\$0.5 million; (ii) principal elements of lease payments of approximately US\$2.6 million, representing mainly for lease payments in relation to the leased properties and office equipment; and (iii) the increase in pledged bank deposits of approximately US\$1.5 million for the issuance of corporate credit cards.

For the year ended 31 December 2019, we had net cash used in financing activities of approximately US\$0.9 million, which primarily consists of (i) repayment of bank borrowings of approximately US\$1.7 million; and (ii) principal elements of lease payments of approximately US\$1.6 million, representing rental payment and lease payment in relation to the leased properties and office equipment partially offset by bank borrowings raised of approximately US\$2.3 million.

For the year ended 31 December 2018, we had net cash used in financing activities of approximately US\$0.8 million, which primarily consists of (i) the increase in pledged bank deposits of approximately US\$0.7 million for the issuance of corporate credit cards; and (ii) repurchase of shares of approximately US\$0.2 million.

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**DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS**

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	1,059	1,266	2,628
Right-of-use assets	–	2,445	13,540
Financial assets at FVTPL	–	761	784
Prepayments, deposits and other receivables	298	538	1,250
<b>Total non-current assets</b>	<b>1,357</b>	<b>5,010</b>	<b>18,202</b>
<b>Current assets</b>			
Inventories	4,512	5,356	8,364
Trade receivables	1,857	1,926	2,549
Prepayments, deposits and other receivables	2,573	3,260	3,309
Current tax assets	–	–	24
Pledged bank deposits	771	913	2,445
Bank and cash balances	9,923	16,992	28,484
<b>Total current assets</b>	<b>19,636</b>	<b>28,447</b>	<b>45,175</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	5,061	7,898	14,889
Contract liabilities	5,889	7,697	8,436
Provision	372	547	718
Lease liabilities	–	1,439	3,758
Finance lease payables	52	–	–
Bank borrowing	–	620	493
Current tax liabilities	655	1,393	1,904
<b>Total current liabilities</b>	<b>12,029</b>	<b>19,594</b>	<b>30,198</b>
<b>Net current assets</b>	<b>7,607</b>	<b>8,853</b>	<b>14,977</b>
<b>Total assets less current liabilities</b>	<b>8,964</b>	<b>13,863</b>	<b>33,179</b>

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	As at 31 December		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current liabilities</b>			
Provisions	–	31	503
Lease liabilities	–	1,023	10,222
Finance lease payables	<u>165</u>	<u>–</u>	<u>–</u>
<b>Total non-current liabilities</b>	<u>165</u>	<u>1,054</u>	<u>10,725</u>
<b>Net assets</b>	<u>8,799</u>	<u>12,809</u>	<u>22,454</u>
<b>Capital and reserves</b>			
Share capital	2,235	2,637	2,310
Reserves	<u>6,564</u>	<u>10,172</u>	<u>20,144</u>
<b>Total equity</b>	<u>8,799</u>	<u>12,809</u>	<u>22,454</u>

### Property, plant and equipment

Our property, plant and equipment consist of leasehold improvements, furniture and fixtures, computer software and equipment and motor vehicles. We had property, plant and equipment of approximately US\$1.1 million, US\$1.3 million and US\$2.6 million as at 31 December 2018, 2019 and 2020, respectively.

The following table sets forth the breakdown of our property, plant and equipment as at the respective dates indicated:

	As at 31 December		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Leasehold improvements	83	224	1,036
Furniture and fixtures	173	279	430
Computer software and equipment	774	763	1,162
Motor vehicles	<u>29</u>	<u>–</u>	<u>–</u>
	<u>1,059</u>	<u>1,266</u>	<u>2,628</u>

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Our property, plant and equipment remained stable at approximately US\$1.1 million as at 31 December 2018 and approximately US\$1.3 million as at 31 December 2019.

Our property, plant and equipment increased from approximately US\$1.3 million as at 31 December 2019 to approximately US\$2.6 million as at 31 December 2020, primarily due to the increase in leasehold improvements of approximately US\$0.8 million and the increase in computer software and equipment of approximately US\$0.3 million as a result of the additional office and warehouse space rented during the year ended 31 December 2020.

For details of our property, plant and equipment, see Note 18 to the Accountant's Report included in Appendix I to this prospectus.

### **Right-of-use assets**

Our right-of-use assets represent lease of properties, office equipment and motor vehicles for our operations. We had right-of-use assets of approximately US\$2.4 million and US\$13.5 million as at 31 December 2019 and 2020, respectively, due to the initial adoption of HKFRS 16 on 1 January 2019.

Our increase in right-of-use assets was primarily due to the additional office and warehouse space rented during the year ended 31 December 2020.

For details of our right-of-use assets, see Note 19 to the Accountant's Report included in Appendix I to this prospectus.

### **Financial assets at FVTPL**

Our financial assets at FVTPL represents the life insurance policy entered into for Mr. Lau, our Chief Executive Officer, an executive Director and our Controlling Shareholder. We had financial assets at FVTPL of approximately US\$0.8 million and US\$0.8 million as at 31 December 2019 and 2020, respectively. We recorded fair value loss on financial assets at FVTPL of approximately US\$99,000 during the year ended 31 December 2019 and fair value gain on financial assets at FVTPL of approximately US\$10,000 during the year ended 31 December 2020 due to one-off premium charges, surrender charges, and net off interest income incurred during the year which led to changes of net surrender values in respect of the life insurance policy at the end of each reporting period.

For details of our financial assets at FVTPL, see Note 20 to the Accountant's Report included in Appendix I to this prospectus.

### **Trade receivables**

During the Track Record Period, trade receivables were non-interest bearing and no credit terms had been granted to E-commerce transactions, and certain offline wholesales customers were granted credit terms ranging from 0 to 90 days. The balance of trade receivables mainly represented the outstanding amounts receivable from (i) the payment gateway companies which were involved in processing the customers' E-commerce transactions; and (ii) offline wholesale customers. Save for the recognition of impairment

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losses for trade receivables of approximately US\$21,000 for the year ended 31 December 2019 and the subsequent reversal of impairment losses for trade receivables of approximately US\$10,000 for the year ended 31 December 2020, respectively, no material default of settlement is expected by reference to past experience. As at 31 December 2018, 2019 and 2020, we had trade receivables of approximately US\$1.9 million, US\$1.9 million and US\$2.5 million, respectively.

Our trade receivables remained stable at approximately US\$1.9 million and US\$1.9 million as at 31 December 2018 and 31 December 2019, respectively.

Our trade receivables slightly increased from approximately US\$1.9 million as at 31 December 2019 to approximately US\$2.5 million as at 31 December 2020, primarily due to the accumulated balance receivable from payment gateway companies as a result of the increase in revenue recorded in December 2020 which was attributable to the reshaped consumer purchase pattern from offline to online under the global COVID-19 pandemic and the promotional activities launched during Christmas. The increase in trade receivables was also in line with the increase in revenue during the year.

The table below sets forth an ageing analysis of trade receivables, based on the invoice date and net of allowance:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	1,719	1,922	2,542
31 to 60 days	64	2	3
61 to 90 days	71	1	1
Over 90 days	3	1	3
	1,857	1,926	2,549

The following table sets forth our average trade receivables turnover days:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Trade receivables turnover days ( <i>Note</i> )	6	6	5

*Note:* Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by revenue for the relevant year multiplied by 365 days for the years ended 31 December 2018, 2019 and 2020.

During the Track Record Period, our trade receivable turnover days were within the credit terms granted by our Group.

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Up to the Latest Practicable Date, approximately US\$2.5 million or 100.0% of trade receivables as at 31 December 2020 had been subsequently settled by our customers after the Track Record Period.

### Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables represent prepayment to suppliers, prepaid rental, prepaid Listing expenses, prepaid administrative expenses, rental deposits, trade deposits, utilities deposits, export tax refundable, government subsidy receivables and others. As at 31 December 2018, 2019 and 2020, we had prepayments, deposits and other receivables of approximately US\$2.9 million, US\$3.8 million and US\$4.6 million, respectively.

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the respective dates indicated:

	As at 31 December		
	2018	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Prepayments</b>			
— Prepayment to suppliers	1,243	1,213	981
— Prepaid rental	21	220	113
— Prepaid listing expenses	—	—	219
— Prepaid administrative expenses	254	410	764
	1,518	1,843	2,077
<b>Deposits</b>			
— Rental deposits	388	978	1,305
— Trade deposits paid	182	235	287
— Utilities deposits	55	73	104
	625	1,286	1,696
<b>Other receivables</b>			
— Export tax refundable	711	630	783
— Others	17	39	3
	728	669	786
	2,871	3,798	4,559
Analysed as:			
Current assets	2,573	3,260	3,309
Non-current assets	298	538	1,250
	2,871	3,798	4,559

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Our prepayments, deposits and other receivables increased from approximately US\$2.9 million as at 31 December 2018 to approximately US\$3.8 million as at 31 December 2019, primarily due to the increase in rental deposits of approximately US\$0.6 million and the increase in prepaid rental of approximately US\$0.2 million as a result of the additional office and warehouse space rented during the year ended 31 December 2019.

Our prepayments, deposits and other receivables increased from approximately US\$3.8 million as at 31 December 2019 to approximately US\$4.6 million as at 31 December 2020, primarily due to (i) the increase in prepaid administrative expenses of approximately US\$0.4 million contributed by the increase in renovation deposit payment for our warehouse; (ii) the increase in rental deposits of approximately US\$0.3 million for additional office and warehouse rented during the year ended 31 December 2020; (iii) the increase in prepaid listing expenses of approximately US\$0.2 million; (iv) the increase in export tax refundable of approximately US\$0.2 million associated with the increase in overseas procurement; and (v) partially offset by the decrease of prepayment to suppliers of approximately US\$0.2 million.

### **Inventories**

We had inventories of approximately US\$4.5 million, US\$5.4 million and US\$8.4 million as at 31 December 2018, 2019 and 2020, respectively.

Our inventories increased from approximately US\$4.5 million as at 31 December 2018 to approximately US\$5.4 million as at 31 December 2019, primarily due to the increase in procurement during the year ended 31 December 2019 as a result of the increase in demand of products we offered, which was in line with the increase in revenue generated from the sales of our fashion & lifestyle and beauty products.

Our inventories increased from approximately US\$5.4 million as at 31 December 2019 to approximately US\$8.4 million as at 31 December 2020, primarily due to the increase in procurement during the year ended 31 December 2020 as a result of (i) the increase in demand of products we offered, which was in line with the increase in revenue generated from the sales of our fashion & lifestyle and beauty products; and (ii) the increase in our procurement of beauty products in order to maintain the inventory level of certain popular items identified.

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## FINANCIAL INFORMATION

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The following table illustrates the aging analysis of our inventories as of the end of each of the reporting periods:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days	2,699	2,814	2,755
31–60 days	1,082	875	2,561
61–90 days	361	797	1,319
Over 90 days	370	870	1,729
	4,512	5,356	8,364

The following table sets forth our average inventories turnover days:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Inventories turnover days ( <i>Note</i> )	36	34	37

*Note:* Inventories turnover days were calculated based on the average of the opening and closing inventories divided by cost of inventories sold for the relevant year multiplied by 365 days for the years ended 31 December 2018, 2019 and 2020.

Our inventories turnover days remained stable at approximately 36, 34 and 37 days for the three years ended 31 December 2020, respectively.

Up to the Latest Practicable Date, approximately US\$7.7 million or 92.5% of inventories as at 31 December 2020 were subsequently sold.

### **Trade and other payables and accruals**

As at 31 December 2018, 2019 and 2020, we had trade and other payables and accruals of approximately US\$5.1 million, US\$7.9 million and US\$14.9 million, respectively.

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## FINANCIAL INFORMATION

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The following table sets forth the breakdown of our trade and other payables and accruals as at the respective dates indicated:

### The Group

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	3,238	3,817	8,543
Other payables – indirect tax payables	–	2,444	1,753
Accruals			
Accrued listing expenses	–	–	1,020
Accrued staff costs	1,106	682	1,904
Accrued selling expenses	442	666	957
Accrued administrative expenses	275	289	712
	1,823	1,637	4,593
	5,061	7,898	14,889

### *Trade payables*

During the Track Record Period, our trade payables were non-interest bearing and the normal trade credit terms granted to our Group were ranging from 0 to 30 days from the date of invoice. As at 31 December 2018, 2019 and 2020, we had trade payables of approximately US\$3.2 million, US\$3.8 million and US\$8.5 million, respectively.

Our trade payables increased from approximately US\$3.2 million as at 31 December 2018 to approximately US\$3.8 million as at 31 December 2019, primarily due to the increase in product procurement during the year ended 31 December 2019 as a result of the increase in demand of our products.

Our trade payables increased from approximately US\$3.8 million as at 31 December 2019 to approximately US\$8.5 million as at 31 December 2020, primarily due to (i) the increase in logistic costs charged by our logistics service providers in Hong Kong which was in line with the increase in freight charges during the year ended 31 December 2020 and (ii) the increase in the number of shipment during the year ended 30 December 2020.

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## FINANCIAL INFORMATION

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The table below sets forth an ageing analysis of trade payables presented based on the invoice date at the end of each year:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	2,785	2,889	7,523
31 to 60 days	426	828	993
61 to 90 days	25	2	24
Over 90 days	2	98	3
	3,238	3,817	8,543

The following table sets forth our average trade payables turnover days:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Trade payables turnover days ( <i>Note</i> )	20	16	19

*Note:* Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by the aggregate cost of sales and outsourced warehouse labor charges (which contributed to certain trade payables) for the relevant period multiplied by 365 days for the years ended 31 December 2018, 2019 and 2020.

During the Track Record Period, our trade payables turnover days were within the normal trade credit terms of 30 days from the date of invoices.

Up to the Latest Practicable Date, we had subsequently settled approximately US\$8.5 million or 100.0% of trade payables as at 31 December 2020 after the Track Record Period.

### ***Accruals***

Our accruals represent accrued Listing expenses, accrued staff costs, accrued selling expenses and accrued administrative expenses. As at 31 December 2018, 2019 and 2020, we had accruals of approximately US\$1.8 million, US\$1.6 million and US\$4.6 million, respectively.

Our accruals remained stable at approximately US\$1.8 million as at 31 December 2018 and approximately US\$1.6 million as at 31 December 2019, primarily due to the decrease in accrued staff costs of US\$0.4 million, mainly as a result of the absence of performance bonus payable as at 31 December 2019, partially offset by the increase in selling expenses relating to our YesStyle Friend Rewards programme which allowed our customers to earn reward credits equal to a percentage of the friend's spending which could be applied to the member's next YesStyle order.

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## FINANCIAL INFORMATION

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Our accruals increased from approximately US\$1.6 million as at 31 December 2019 to approximately US\$4.6 million as at 31 December 2020, primarily due to (i) the increase in accrued staff costs of approximately US\$1.2 million as a result of the performance bonus payable as at 31 December 2020; (ii) the accrued Listing expenses of approximately US\$1.0 million as at 31 December 2020; (iii) the increase in accrued selling expenses of approximately US\$0.3 million for localized marketing campaigns; and (iv) the increase in accrued administrative expenses of approximately US\$0.4 million as a result of the engagement of Indirect Tax Consultant.

### *Other payables*

Our other payables as at 31 December 2019 and 2020 represent the indirect tax payables. For details, please refer to the section headed “Business — Taxation and Related Arrangements” of this prospectus.

### **Contract liabilities**

Our contract liabilities consist (i) advance payments primarily from customers for orders not shipped out yet; and (ii) deferred revenue for our loyalty programme’s customers, representing transaction price allocated to the memberships based on the relative stand-alone selling price. Our customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocates a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. As at 31 December 2018, 2019 and 2020, we had contract liabilities of approximately US\$5.9 million, US\$7.7 million and US\$8.4 million, respectively.

The table below sets forth the breakdown of our contract liabilities as at the respective dates indicated:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Advance payments from customers	4,323	5,812	8,436
Deferred revenue for customer loyalty programme	1,566	1,885	–
	5,889	7,697	8,436

Our contract liabilities increased from approximately US\$5.9 million as at 31 December 2018 to approximately US\$7.7 million as at 31 December 2019, primarily due to the increase in sales to our customers during the year ended 31 December 2019.

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## FINANCIAL INFORMATION

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Our contract liabilities increased from approximately US\$7.7 million as at 31 December 2019 to approximately US\$8.4 million as at 31 December 2020, primarily due to the increase in the number of shipments that had not been delivered as at 31 December 2020, partially offset by the decrease in deferred revenue for customer loyalty programme due to a change of terms of our customer loyalty programme. We operate our own *YesStyle Elite Club* membership programme where customers can accumulate reward points to determine their membership and different level of instant discounts against their future purchases during the one-year membership valid period. We informed our *YesStyle Elite Club* members of changes in terms and conditions of our membership programme which were effective from 1 January 2021 in December 2020, and replaced the original terms and conditions. The primary changes to the terms and conditions include (i) the cessation of the year-round instant purchases discount and year-round reward points offered to our *YesStyle Elite Club* members, (ii) the introduction of new reward points effective from 1 January 2021 which has a validity period of three months, and (iii) that our *YesStyle Elite Club* members as at 31 December 2020 are entitled to membership upgrade or extension and were given different sets of membership cash coupons with a validity period of three months depending on their membership tiers. As a result, the cessation of year-round instant discount, together with the adjustment of cash coupon value provided for upgrade and extensions membership under the new terms and conditions of our current *YesStyle Elite Club* membership programme have resulted in a meaningful decrease of the carrying amount of the contract liability for our *YesStyle Elite Club* membership programme as at 31 December 2020. Our management also conducted a detailed analysis to estimate the contract liability generated from our original *YesStyle Elite Club* membership programme as at 31 December 2020, and concluded that the estimated contract liability associated was immaterial. The Reporting Accountants concur with the estimate by the management and therefore, no contract liability was recognised as at 31 December 2020.

### Provisions

Our provisions represent sale returns, employee benefits and reinstatement costs. Provisions are recognised for liabilities of uncertain timing or amount when our Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. As at 31 December 2018, 2019 and 2020, we had provisions of approximately US\$0.4 million, US\$0.6 million and US\$1.2 million, respectively.

Our provisions remained stable at approximately US\$0.4 million as at 31 December 2018 and approximately US\$0.6 million as at 31 December 2019.

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## FINANCIAL INFORMATION

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Our provisions increased from approximately US\$0.6 million as at 31 December 2019 to approximately US\$1.2 million as at 31 December 2020, primarily due to the increase in provisions for employee benefits of approximately US\$0.2 million representing unused annual leave and long service leave by our staff during the year ended 31 December 2020 and the increase in provisions for reinstatement costs of approximately US\$0.4 million during the year ended 31 December 2020 as a result of the additional office and warehouse space rented during the year ended 31 December 2020.

### **Lease liabilities (finance lease payables as at 31 December 2018)**

During the Track Record Period, we leased properties, office equipment and motor vehicles for our operations. As at 31 December 2018, we had finance lease payables of approximately US\$217,000. As at 31 December 2019 and 2020, we had lease liabilities of approximately US\$2.5 million and US\$14.0 million, respectively. Our Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases.

Our lease liabilities increased from approximately US\$2.5 million as at 31 December 2019 to approximately US\$14.0 million as at 31 December 2020, primarily due to the additional office and warehouse space rented during the year ended 31 December 2020.

### **Current tax liabilities**

As at 31 December 2018, 2019 and 31 December 2020, we had current tax liabilities of approximately US\$0.7 million, US\$1.4 million and US\$1.9 million, respectively.

### **Accumulated losses/retained earnings**

As at 31 December 2018 and 2019, we had accumulated losses of approximately US\$12.4 million and US\$9.0 million, respectively. Our Group recorded accumulated loss as at 31 December 2018 as a result of our stable selling expenses and administrative expense level over the years. Since the year ended 31 December 2010, the aggregate selling expenses and administrative expenses incurred by our Group during each financial year has been over approximately US\$10.0 million. Our Directors are of the view that our Group was able to turnaround its business to profitability primarily due to its effective marketing strategy and the increase in revenue generated from the YesStyle platform, including the sales of Korean beauty products. As at 31 December 2020, we recorded retained earnings of approximately US\$1.5 million.

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**FINANCIAL INFORMATION**

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**NET CURRENT ASSETS AND LIABILITIES**

The following table sets forth the breakdown of our current assets and current liabilities as at 31 December 2018, 2019 and 2020 and 30 April 2021:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>30 April</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				(unaudited)
<b>Current assets</b>				
Inventories	4,512	5,356	8,364	11,663
Trade receivables	1,857	1,926	2,549	2,328
Prepayments, deposits, and other receivables	2,573	3,260	3,309	6,077
Current tax assets	–	–	24	24
Pledged bank deposits	771	913	2,445	1,999
Bank and cash balances	9,923	16,992	28,484	21,309
<b>Total current assets</b>	<b>19,636</b>	<b>28,447</b>	<b>45,175</b>	<b>43,400</b>
<b>Current liabilities</b>				
Trade and other payables and accruals	5,061	7,898	14,889	13,276
Contract liabilities	5,889	7,697	8,436	7,929
Provisions	372	547	718	822
Lease liabilities	–	1,439	3,758	4,190
Finance lease payables	52	–	–	–
Bank borrowing	–	620	493	–
Current tax liabilities	655	1,393	1,904	1,753
<b>Total current liabilities</b>	<b>12,029</b>	<b>19,594</b>	<b>30,198</b>	<b>27,970</b>
<b>Net current assets</b>	<b>7,607</b>	<b>8,853</b>	<b>14,977</b>	<b>15,430</b>

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Our Group's net current assets increased from approximately US\$7.6 million as at 31 December 2018 to approximately US\$8.9 million as at 31 December 2019, primarily due to (i) the increase in bank and cash balances of approximately US\$7.1 million and increase in inventories of approximately US\$0.8 million, partially offset by (ii) the increase in accrued and trade and other payables of approximately US\$2.8 million, increase in contract liabilities of approximately US\$1.8 million, increase in the current portion of lease liabilities of approximately US\$1.4 million and increase in current tax liabilities of approximately US\$0.7 million. For details in relation to the material fluctuations, please refer to the section headed "Financial Information — Description of Certain Line Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this Prospectus.

Our Group's net current assets increased from approximately US\$8.9 million as at 31 December 2019 to approximately US\$15.0 million as at 31 December 2020, primarily due to (i) the increase in inventories of approximately US\$3.0 million, increase in bank and cash balances of approximately US\$11.5 million and increase in pledged bank deposits of approximately US\$1.5 million, partially offset by (ii) the increase in trade and other payables and accruals of approximately US\$7.0 million, increase in the current portion of lease liabilities of approximately US\$2.4 million and increase in contract liabilities of approximately US\$0.7 million. For details in relation to the material fluctuations, please refer to the section headed "Financial Information — Description of Certain Line Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this Prospectus.

Our Group's net current assets increased from approximately US\$15.0 million as at 31 December 2020 to approximately US\$15.4 million as at 30 April 2021, primarily due to (i) the increase in inventories of approximately US\$3.3 million, the increase in prepayment, deposits and other receivables of approximately US\$2.8 million as a result of an increase in prepayment to suppliers and (ii) the decrease in trade and other payables and accruals of approximately US\$1.6 million mainly as a result of the payment of performance bonus, which also contributed to the decrease in bank and cash balances of approximately US\$7.2 million.

### INDEBTEDNESS

At the close of business on 30 April 2021, being the latest practicable date on which such information was available to us, our Group had outstanding indebtedness comprising lease liabilities of approximately US\$15.5 million.

As at 31 December 2018, 2019 and 2020, we had bank borrowings of approximately nil, US\$0.6 million and US\$0.5 million, respectively. As of the Latest Practicable Date, the outstanding bank borrowings have been fully repaid.

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## FINANCIAL INFORMATION

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The interest rates of our Group's bank borrowings as at 31 December 2019 and 2020 was 3.21% and 1.65%, respectively. For details, please refer to note 28 to the Accountant's Report included in Appendix I to this prospectus.

During the Track Record Period, there were certain financial covenants attached to banking facilities granted to our Group and there had been no breaches in the financial covenants of any of these banking facilities during the Track Record Period.

As at 30 April 2021, being the latest practicable date for the purpose of the statement of indebtedness, we had aggregate interest-bearing facilities from banks of approximately US\$65,000, of which approximately US\$39,000 was unutilised, unrestricted and available to be drawn down.

### WORKING CAPITAL

During the Track Record Period, we met our working capital needs mainly from our bank and cash balances and cash generated from our operation. We manage our cash flow and working capital by closely monitoring and managing our operations. We also diligently review future cash flow requirements and adjust our operation, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into account of the financial resources available to us, including our existing bank and cash balances, cash flows from operations, unutilised banking facilities and net proceeds from the Global Offering, our Directors believe that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

### OPERATING LEASE ARRANGEMENTS

As at 31 December 2018, 2019 and 2020, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	As at 31 December		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note (a)</i>		<i>Note (b)</i>
Within one year	1,028	–	29
In the second to fifth years, inclusive	<u>484</u>	<u>–</u>	<u>–</u>
	<u>1,512</u>	<u>–</u>	<u>29</u>

*Notes:*

- (a) Operating lease payments represent rentals payable by us for certain of our offices, warehouses and car parking spaces. Leases are negotiated terms ranging from 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.
- (b) During the year ended 31 December 2020, we entered into a short-term lease for an equipment and the outstanding lease commitments relating to this equipment is US\$29,000 (2018 and 2019: Nil).

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During the year ended 31 December 2020, we also entered into a new lease for office that had not yet commenced, with non-cancellable period of 23.5 months, and an extension option of 3 years. For further details, please refer to Note 34 of the Accountant's Report in Appendix I to this Prospectus.

### CAPITAL COMMITMENTS

As at 31 December 2018, 2019 and 2020, we had the following capital commitments contracted for but not yet incurred at the end of each year during the Track Record Period:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment	<u>–</u>	<u>–</u>	<u>72</u>

### CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020, our Group had contingent liabilities in respect of letter of guarantees issued to a payment gateway company and suppliers of approximately US\$94,000, US\$77,000 and US\$80,000 respectively. The letter of guarantees issued by banks were secured by pledged motor vehicles, pledged bank deposits and a letter of indemnity executed by a Director.

Apart from above, our Group and our Company do not have other material contingent liabilities as at 31 December 2018, 2019 and 2020.

### RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 36 of the Accountant's Report set out in Appendix I to this prospectus were conducted on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

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During the Track Record Period, our Group had the following transactions with its related parties:

	Year ended 31 December		
	2018	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Customer relationship management and contact centre service fees to HKT Teleservices International Limited (“HKT”) (note i)	(85)	(283)	(367)
Return merchandise authorisation service fee to Ms. Chu Po King (note ii)	(2)	(3)	(2)
Services income from Florich/小蜜蜂 (台山)制衣有限公司 (note iii)	11	–	–
	11	–	–

Notes:

- (i) HKT is a fellow subsidiary of a shareholder of our Company.
- (ii) Ms. Chu Po King is a sister of a director and shareholder of the Company.
- (iii) 小蜜蜂(台山)制衣有限公司 is a wholly-owned subsidiary of Florich Trading Company Limited (“Florich”), which is majority-owned by family members and relatives of Mr. Lau, which include, among others, Mr. Lau Wai Ho, father of Mr. Lau and a shareholder of the Company. Florich is the owner of the online shop to which we provided supporting services to. Pursuant to the agreement entered into between Florich and our Company, the relevant service fees had been settled by 小蜜蜂(台山)制衣有限公司 from July 2012.

In the opinion of the Directors, these related parties transactions were conducted on an arm’s length basis.

For further details, see Note 36 to the Accountant’s Report included in Appendix I to this prospectus.

### OFF BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

### FINANCIAL RISK MANAGEMENT

Our Group is exposed to a variety of financial risks which comprise foreign currency risk, credit risk, liquidity risk and interest rate risk. Our Group’s overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group’s financial performance.

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## FINANCIAL INFORMATION

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### **Foreign currency risk**

Our Group has certain exposure to foreign currency risk as most of our business transactions, assets and liabilities are denominated in currencies other than the functional currency of our Group such as Hong Kong dollars, Korean Won, Japanese Yen, RMB, Great Britain Pound and Euro. As US\$ is pegged to Hong Kong dollars, our Group does not expect any significant movements in the US\$/Hong Kong dollars exchange rate.

Our Group currently does not have a formal foreign currency hedging policy but will use foreign currency contracts to minimize against the risk when it is foreseen to be significant. For further details, please refer to Note 6 to the Accountant's Report included in Appendix I to this prospectus.

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Our Group is exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

### **Liquidity risk**

It is the policy of our Group to regularly monitor our current and expected liquidity requirements, compliance with lending covenants and relationship with our bankers to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term.

### **Interest rate risk**

Our Group's exposure to interest rate risk mainly arises from our bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates that vary with the then prevailing market condition.

For further details, please refer to Note 6 to the Accountant's Report included in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

	Year ended 31 December		
	2018	2019	2020
	%	%	%
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup>	34.1	32.0	35.7
Net profit margin <sup>(2)</sup>	4.7	2.9	6.5
Return on equity <sup>(3)</sup>	45.4	26.3	50.0
Return on total assets <sup>(4)</sup>	19.0	10.1	17.7
	As at 31 December		
	2018	2019	2020
	<i>Times</i>	<i>Times</i>	<i>Times</i>
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup>	1.6	1.5	1.5
Quick ratio <sup>(6)</sup>	1.3	1.2	1.2
	%	%	%
<b>Capital adequacy ratio</b>			
Gearing ratio <sup>(7)</sup>	2.5	24.1	64.5

*Notes:*

1. The calculation of gross profit margin is based on gross profit divided by revenue for the year and multiplied by 100%.
2. The calculation of net profit margin is based on net profit divided by revenue for the year and multiplied by 100%.
3. The calculation of return on equity is based on net profit for the year divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on net profit for the year divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities at the end of the year.
6. The calculation of quick ratio is based on current assets less inventories divided by current liabilities at the end of the year.
7. The calculation of gearing ratio is based on total debts (lease liabilities, finance lease payables and bank borrowing) at the end of the year divided by net assets at the end of the year and multiplied by 100%.

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### **Return on equity**

Our return on equity decreased from approximately 45.4% for the year ended 31 December 2018 to approximately 26.3% for the year ended 31 December 2019, primarily due to the increase in reserves of approximately US\$3.6 million, partially off-set by the increase in profit for the year.

Our return on equity increased from approximately 26.3% for the year ended 31 December 2019 to approximately 50.0% for the year ended 31 December 2020, primarily due to the increase in profit for the year as a result of the increase in revenue and the government subsidy income during the year ended 31 December 2020.

### **Return on total assets**

Our return on total assets decreased from approximately 19.0% for the year ended 31 December 2018 to approximately 10.1% for the year ended 31 December 2019, primarily due to the increase in bank and cash balances of approximately US\$7.1 million and the decrease in profit for the year of approximately US\$0.6 million.

Our return on total assets increased from approximately 10.1% for the year ended 31 December 2019 to approximately 17.7% for the year ended 31 December 2020, primarily due to the increase in profit for the year as a result of the increase in revenue and the government subsidy income during the year ended 31 December 2020.

### **Current ratio**

During the Track Record Period, our current ratio remained stable at approximately 1.6, 1.5 and 1.5 as at 31 December 2018, 2019 and 2020.

### **Quick ratio**

During the Track Record Period, our quick ratio remained stable at approximately 1.3, 1.2 and 1.2 as at 31 December 2018, 2019 and 2020.

### **Gearing ratio**

Our gearing ratio increased from approximately 2.5% as at 31 December 2018 to approximately 24.1% as at 31 December 2019, primarily due to the increase in lease liabilities of approximately US\$2.5 million due to the adoption of HKFRS 16 and the increase in bank borrowing of approximately US\$0.6 million during the year ended 31 December 2019.

Our gearing ratio increased from approximately 24.1% as at 31 December 2019 to approximately 64.5% as at 31 December 2020, primarily due to the increase in lease liabilities of approximately US\$11.5 million as a result of the additional office and warehouse space rented during the year ended 31 December 2020.

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## FINANCIAL INFORMATION

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### **DIVIDEND AND DIVIDEND POLICY**

No dividend was paid or declared by our Company during the Track Record Period.

In future, declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

### **LISTING EXPENSES**

Assuming the Offer Price of HK\$3.165 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus (and assuming no Over-allotment Option was exercised), the total amount of expenses in relation to the Listing are estimated to be approximately US\$4.1 million including the underwriting commission and other listing expenses and fees. The expenses in relation to the Listing shall be borne by our Company, of which approximately US\$2.1 million and US\$1.2 million was and will be charged to our Group's profit and loss for the year ended 31 December 2020 and the year ending 31 December 2021, respectively, and approximately US\$0.8 million of its estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard after Listing for the year ending 31 December 2021. The total expenses for the Listing represents approximately 25.3% of the gross proceeds from the Global Offering, based on the mid-point of the proposed Offer Price range and the above estimated total expenses for the Listing.

### **FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES**

Our profit for the year ending 31 December 2021 will be negatively impacted by the incurrance of listing expenses during the year ending 31 December 2021. Our financial performance for the year ending 31 December 2021 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2020.

### **DISTRIBUTABLE RESERVE**

As at 31 December 2020, our Company's reserves available for distribution amounted to approximately US\$0.2 million.

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II of this prospectus for the unaudited pro forma adjusted net tangible assets.

### DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### RECENT DEVELOPMENT

#### Effects of the COVID-19 outbreak subsequent to the Track Record Period

Our business operations and cost structure remained stable after the Track Record Period and up to the Latest Practicable Date, despite the continuous impact of COVID-19. The outbreak of COVID-19 has materially affected the global economy. It has also created challenges across the industry as a result of disruptions in business operations and logistics arrangements due to unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns which have been re-implemented by the local governments during and subsequent to the Track Record Period, in regions and countries which are related to our business operations, including Hong Kong, Japan and South Korea, as well as key countries where we derive our revenue from, such as the United States, the United Kingdom, Australia, Canada and EU. As a result, according to the F&S Report, the global GDP and the GDP in our key countries including the US, the U.K., Canada, Australia, France, and Germany decreased by approximately 3.5%, and 3.4%, 10.0%, 5.5%, 2.9%, 9.0% and 5.4%, in 2020, respectively. However, with the local governments' continuous effort in pandemic control, the decline is also expected to be temporary. The global GDP and the GDP in our key countries including the US, U.K., Canada, Australia, France and Germany are expected to increase by approximately 5.5%, and 5.1%, 4.5%, 3.6%, 3.5%, 5.5% and 3.5% in 2021, respectively, as a result of the gradual recovery after the outbreak of COVID-19.

According to F&S Report, despite the outbreak of COVID-19 pandemic, online retail sales of beauty products and fashion products in countries including the US, the UK, Australia, Canada and France increased in 2020 and the growth is expected to continue in global market in the future, due to (i) the changes in shopping behaviour from purchasing through brick-and-mortar stores, to purchasing online, and (ii) customers being more cautious on staying in public areas in order to avoid crowds and the inconvenience of offline shopping. For details, please refer to "Industry Overview — COVID-19 Impact on the Industry and the Group's Major Product Segment".

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## FINANCIAL INFORMATION

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Subsequent to the Track Record Period, our Directors are of the view that the outbreak of COVID-19 worldwide has not had any material adverse impact on our business, results of operations and financial condition:

- ***Product sales***

As of the date of this prospectus, we did not experience any material cancellation of orders, with respect to all of our products, from our customers. Sales of our fashion & lifestyle, beauty and entertainment products recorded continuous growth in the first four months of 2021 due to our increasing number of orders.

Based on our unaudited management accounts, our revenue and gross profit increased by approximately 58.5% and 55.3%, respectively, during the four months ended 30 April 2021, as compared with the same period in 2020. In addition to the reshaped consumer purchase pattern from offline to online under the global pandemic, our Directors believe that such increase can be further attributed to (i) the continuous growth in our fashion & lifestyle, as well as beauty product segment; (ii) the increase in the market demand of our fashion & lifestyle, as well as beauty products, which normally have higher profit margins as compared to other products, (iii) removal of indirect tax impact to the financial result of the Group since our collection of the applicable amounts from our customers starting in July 2020, and (iv) our advertising and promotional initiatives launched since 2020.

- ***Supply chain***

Governments across the world have taken various measures to manage cases and reduce potential spread and impact of infection. In countries including South Korea and the PRC, there have been no material supply disruption by our product suppliers subsequent to the Track Record Period, as the restrictions do not generally apply to cross-border land transportation, cargo flights or overseas freight forwarding service providers engaged by our suppliers.

- ***Business operation***

Due to the outbreak of COVID-19, our Group has implemented work-from-home policy and special working hour arrangement. We have also adopted enhanced public hygiene and precautionary measures, as well as supplied personal cleansing and protective products to our employees within the office area. In light of the measures taken, our Directors believe that there has been no material adverse impact to our business operations since the outbreak of COVID-19.

- ***Logistics and fulfillment***

The operating hours of our warehouse divisions had not been affected subsequent to the Track Record Period and up to the Latest Practicable Date. However, despite that there was no material supply disruption encountered subsequent to the Track Record Period as a result of COVID-19, the outbreak had resulted in upward revision of our freight-out cost and reduced number of available logistics suppliers, and we

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## FINANCIAL INFORMATION

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were able to pass on such increase to our customers without any material adverse impact on our operations and financial performance. Due to the increased logistics costs, we removed the free standard shipment option for our customers in certain countries and increased the minimum transaction amount per order for free shipping since April 2020 and May 2020, respectively, to ensure that the orders could be fulfilled within a reasonable period of time. To the best knowledge of our Directors, during the four months ended 30 April 2021, there were no material changes to the Group's shipping arrangements as compared to the Track Record Period. Local transportation and logistics services in Hong Kong have also remained in operation subsequent to the Track Record Period.

- ***Expansion plan***

Our Directors believe that the COVID-19 outbreak does not have any material adverse impact to our expansion plan. In view of the continuous transition of consumer consumption through online retail channels and the increasing industry competition, we have stepped up our marketing efforts, to further promote our E-commerce platforms to our new and existing customers. We have registered continuous growth in the number of orders in the four months ended 30 April 2021, and will prepare for the expansion of our logistics and fulfillment functions in 2021.

For details of our financial performance amid the outbreak of COVID-19 pandemic, please refer to “Business — Impact of COVID-19” of this prospectus for details.

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2020 and there has been no event since 31 December 2020 which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus.

Excluding our Listing expenses, our profit for the year ending 31 December 2021 is expected to decrease when comparing with our profit for the year ended 31 December 2020, mainly due to the one-off government subsidies received during the year ended 31 December 2020.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since 31 December 2020, being the end of the period reported on in the Accountant's Report in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

Our Directors believe that the Listing on the Hong Kong Stock Exchange is beneficial to our Company and our Shareholders as a whole:

- *Access to the capital markets.* The Listing will allow our Group to establish an efficient and sustainable fund-raising platform, thereby enabling us to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion, which could be instrumental to our business development. Once there is liquidity of our Shares through the Listing, our shareholder base will be broadened, whereby our Company can diversify our capital-raising activities rather than solely relying on the revenue generated from our business operation and debt financing;
- *Diversifying shareholder base and enhancing liquidity in trading of our Shares.* The Listing will provide liquidity to and create a market for the trading of our Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholder base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected. We believe that the Listing will also help further incentivize our talented senior management and employees, some of which are shareholders of our Company, and will, in turn, help us to achieve long-term success of the Group;
- *Elevating our corporate profile.* We believe the Listing will further enhance our corporate image, visibility and market presence with the public and other stakeholders, including potential and existing business partners, customers, suppliers, influencers and KOLs. As the E-commerce retail industry is very competitive, enhancing our corporate image and status will provide greater reassurance and confidence to our stakeholders. By way of Listing, we believe it will strengthen our brand recognition and provide us with a stronger competitive edge in terms of identifying and maintaining relationships with business partners, deepening our positioning as a Korean beauty product gateway, increasing our global penetration and providing greater confidence to our customers, suppliers and influencers and KOLs. In addition, the increased level of information transparency after the Listing will give our stakeholders and the public access to our Group’s corporate and financial information, which could enhance their confidence on our Group and strengthen our ability to broaden our brand portfolio and earn us more opportunities to collaborate with them; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- *Attracting and retaining talents.* The E-commerce industry is characterized by high demand and intense competition for talent. As such, being a listed company can help to attract and retain key personnel, qualified staff or other highly skilled employees that we will need to achieve our strategic objectives, which is instrumental for our long-term growth. To this end, we have also put in place the Share Option Schemes for our employees in order to attract and retain talents. Please refer to the section headed “Statutory and General Information — D. Pre-IPO Share Option Schemes and Post-IPO Share Option Scheme” in Appendix IV to this prospectus for a summary of principal terms of the scheme. In addition, the status of being a listed company will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a company which is listed on the Hong Kong Stock Exchange.

### USE OF PROCEEDS

The aggregate net proceeds that we expect to receive from the Global Offering (after deducting underwriting commissions and incentive fees and estimated expenses in connection with the Global Offering) will be approximately HK\$93.5 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$3.165 per Share, being the mid-point of the Offer Price range stated in this prospectus.

Our Directors intend to apply the net proceeds from the Global Offering within 24 months upon the Listing as follows:

- (1) Approximately HK\$50.5 million (representing 54.0% of net proceeds) is expected to be used to increase our marketing efforts for customer acquisition and retention. Of the net proceeds to be used to increase our marketing efforts for customer acquisition and retention, we plan to spend:
  - (a) approximately HK\$30.3 million on adopting influencer and KOL marketing strategies and building content driven campaigns through our *YesStyle Influencer Program* and KOL initiative, particularly in the European countries to promote fashion and Korean beauty brands and products, to expand our influencer marketing and to deepen our position as the gateway for fashion and Korean beauty products. In particular:
    - (i) approximately HK\$13.6 million will be spent to speed up the engagement of influencers and KOLs from (a) our existing targeted social media platforms, including *Instagram*, *YouTube*, *Facebook* and other social media platforms, such as *Tiktok*, *Pinterest* and *Twitter*, and (b) our major markets, including European markets, and other potential new markets through online advertisements of our *YesStyle Influencer Program* on *Instagram*, *YouTube*, *Facebook* and *Tiktok* etc. to promote the awareness of our influencer marketing initiatives to attract more potential influencers and KOLs;

## FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately HK\$16.7 million will be spent to expand welcome and membership packages to cope with the increasing pool size of influencers and KOLs, including free fashion and beauty products (other than products sponsored by our suppliers), influencer box sets and giveaways, shopping coupons and credits to influencers and KOLs to spread the word of mouth of our brands and products to the global audience;

As at the Latest Practicable Date, more than 150,000 KOLs and influencers from around the world have joined our influencer marketing initiatives, providing us with a broad follower base of millions of users. Revenues generated from our influencer marketing initiatives were approximately US\$0.8 million, US\$7.9 million and US\$27.4 million, accounted for 1.2%, 7.9% and 17.4% of the total revenue of *YesStyle* for the three years ended 31 December 2020, respectively. The Company intends to further invest in its influencer marketing initiatives for more social media endorsements and product mentions from our influencers in order to reach out to more potential customers. The Company currently plans to expand its influencers and KOL base (in the following countries and regions) in proportion to the Company's respective country revenue distribution during the Track Record Period and upcoming marketing strategies to further penetrate into EU, the UK and other new markets.

	Total number of influencers and KOLs <sup>(1)</sup>									
	2018		2019 <sup>(2)</sup>		2020		2021 <sup>(3)</sup>		2022 <sup>(3)</sup>	
		%		%		%		%		%
U.S.	26	24.8	7,049	35.9	36,896	40.7	100,000	40.0	190,000	38.0
European Union and UK	23	21.9	6,775	34.5	28,261	31.1	92,500	37.0	202,500	40.5
Canada	17	16.2	1,664	8.5	6,157	6.8	13,750	5.5	20,000	4.0
Australia	13	12.4	1,461	7.4	4,659	5.1	8,750	3.5	12,500	2.5
Other countries	26	24.8	2,704	13.8	14,794	16.3	35,000	14.0	75,000	15.0
<b>Total</b>	<b>105<sup>(4)</sup></b>	<b>100.0</b>	<b>19,653<sup>(4)</sup></b>	<b>100.0</b>	<b>90,767<sup>(4)</sup></b>	<b>100.0</b>	<b>250,000</b>	<b>100.0</b>	<b>500,000</b>	<b>100.0</b>

*Notes:*

- (1) The total number of influencers and KOLs refer to the actual and targeted accumulated number of influences and KOLs engaged by the Group during the Track Record Period and for the two years ending 31 December 2022, respectively.
- (2) We launched our *YesStyle Influencer Program* in February 2019.
- (3) The significant increase in the targeted number of influencers and KOLs to be engaged is justified by historical growth rate of our engagement of influencers and KOLs and the estimated availability of influencers. According to the Industry Consultant, it is currently estimated that the potential number of influencers (with more than 1,000 social media followers) worldwide from *Instagram*, which is the key social media channel for brand collaborations, is around 48,000,000. This estimate does not take into consideration of influencers active on other social

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## FUTURE PLANS AND USE OF PROCEEDS

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media channels where brand collaboration initiatives have also been launched by the Group. With the increasing popularity of social media marketing, it is expected that the number of global influencers will experience meaningful or exponential growth in the coming years. With the expansion of our influencer marketing initiatives, we expect continuing growth of our engagement of influencers and KOLs in 2021 and 2022.

We have set certain qualification criteria for our influencers and KOLs marketing program. Our *YesStyle Influencer Program* is currently open for application by *Facebook*, *Instagram*, *Tiktok* or *YouTube* channel account holders. With respect to influencers, we usually consider an influencer application by an individual who has an active social media account with a minimum of 500 followers, or a *Youtube* channel account with a minimum of 100 subscribers (a lower threshold is set for applicants from *Youtube* as our Directors believe that a broader audience can be reached by a *Youtube* channel account holder due to its popular search features). Our influencer marketing team will review the account metrics and social media presence of the applicants and determine if they are qualified for the program. While our influencers usually have a smaller follower base than KOLs, we believe that their ability to engage with their subscribers or followers more frequently and personally will tend to generate a higher level of engagement and trust from their audience in their respective product areas.

With respect to KOLs, our dedicated KOL team adopts a proactive approach in identifying potential KOL partners who usually have more than 100,000 followers on his/her social media channels and possess deep product knowledge in either fashion, lifestyle or beauty products. Our KOL team inspects the potential KOL's portfolio credibility (including ingredients and effects of products that they have shared reviews on their social media channels) before formally endorsing the KOLs by *YesStyle*.

- (4) We engaged 105 KOLs during the year ended 31 December 2018 since the commencement of the KOL initiative. Subsequent to our launch of our *YesStyle Influencer Program* in February 2019, we engaged 19,405 influencers and 172 KOLs during the year ended 31 December 2019, of which 29 influencers withdrew from our *YesStyle Influencer Program* as of Latest Practicable Date. During the year ended 31 December 2020, we engaged 71,290 influencers and 229 KOLs, of which 405 influencers withdrew from our *YesStyle Influencer Program* as of Latest Practicable Date.

To achieve our influencers and KOLs recruitment target in 2021 and 2022, we will speed up the recruitment of influencers and KOLs from (a) extensive influencer advertisements on the existing targeted social media platforms, including *Instagram*, *YouTube*, *Facebook* and other new social media platforms, such as *Tiktok*, *Pinterest* and *Twitter*, together with giving out competitive welcome offers and membership packages, free sponsored fashion and beauty products, influencer box sets and giveaways, shopping coupons and credits to influencers and KOLs; (b) influencer referral program to facilitate referral activities among the massive influencer peer community, such as extending invitations to peers by influencers; (c) recruiting the broader audiences, who are aware of *YesStyle*, which include customers of *YesStyle* and social media followers; and (d) utilizing third party influencer databases.

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## FUTURE PLANS AND USE OF PROCEEDS

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- (b) approximately HK\$10.1 million on organizing localized marketing campaigns with promotions corresponding to a variety of events and festivals, such as Annual Sale, Spring Festival, Easter Sale, Mother's Day Sale, Anniversary Sale, Back-to-school events, Singles' Day Promotion, Thanksgiving Sale, Black Friday, Cyber Monday and Christmas Sale in particular towards our high growth market of EU and the UK and other new regions, expanding targeted marketing, placement of advertisements, our social media outreach and utilising marketing on search engines to maximize our penetration of target customer exposure so as to drive more traffic to our websites and expand our customer base;
- (c) approximately HK\$4.6 million on implementing a CRM system to facilitate our marketing automation for our enlarged customer base upon promotions and communications to, increase the lifetime value of acquired customers, including segmenting our customer groups to facilitate communication, utilize their data, and run relevant campaigns more effectively, thereby increasing our overall Conversion Rate and revenue; enable us to create a Single Customer View, which can better improve our customer service and further enhance the relationships with our customers; improving our personalization features by offering more tailored information such as promotion messages, categories and recommendation, extending the personalization initiative to our CRM system and supplementing personalized elements to our notifications, e-mail marketing and other communication channels; and
- (d) approximately HK\$5.5 million on expanding our retention marketing and promotion campaigns in order to cultivate customer loyalty and encourage our customers to make repeated purchases. In particular, we plan to place re-targeting advertisement, launch different box sets, such as *Advent Calendar Box*, flash deals, and design dedicated campaigns for loyal customers based on transactional and behavioral data, give out free gifts, membership points and coupons, as well as promotions to lower cart abandonment rate, upsell and cross-sell our customers.

The (i) historical expenses incurred for each marketing initiative during the Track Record Period and for the year ended 31 December 2020 and (ii) the expected marketing expenditure to be incurred for the year ending 31 December 2021 are set out in the table below. The significant increases in the marketing expenditure are justified by (i) the increasing popularity and competition in the online product retail industry; (ii) growth of influencer marketing; and (iii) initiatives by the Company to further promote its number of visitors to its E-commerce platforms and visitor-to-customer conversion and monetization rate and (iv) favourable industry development trend.

## FUTURE PLANS AND USE OF PROCEEDS

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Year ending 31 December 2021	Use of proceeds	Change between year ended 31 December 2020 and 2021 (%)
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
(1)(a) Adopting influencer and KOL marketing strategies and building content driven campaigns through our <i>YesStyle Influencer Program</i> and KOL initiative <sup>(1)</sup>	5.0	13.2	17.2	36.3	30.3	111.0
(1)(b) Localized marketing campaigns <sup>(2)</sup>	13.7	17.7	26.6	42.2	10.1	58.6
(1)(c) CRM system implementation <sup>(3)</sup>	0	0	0	2.8	4.6	N/A
(1)(d) Retention marketing and promotion <sup>(4)</sup>	0.9	1.2	1.0	8.3	5.5	730.0

*Notes:*

- (1) We launched our KOL initiative in January 2018 to support our brand and product marketing. Subsequently in February 2019, we launched our *YesStyle Influencer Program* to reach a broader worldwide audience and to provide influencers who sign up for the program with extra discounts on orders and free products for review. We engage influencers and KOLs in our content-driven marketing campaigns through the *YesStyle Influencer Program* and KOL initiative to generate traffic and drive sales on our platform. We have also established an in-house content team to create high-quality content to extend the time our visitors spend viewing our website and social media accounts. The increase in the marketing expenditure from 2018 to 2019 and from 2019 to 2020 was primarily due to our efforts in recruiting influencers and KOLs from various social media platforms and our major markets and providing giveaways, shopping coupons and credits to influencers and KOLs. Revenues generated from influencer marketing initiatives were approximately US\$0.8 million, US\$7.9 million and US\$27.4 million for the three years ended 31 December 2020, accounting for approximately 1.2%, 7.9% and 17.4% of the total revenue of *YesStyle*, respectively. As the competition in the E-commerce business is intense and to further strengthen our position as the “go-to” gateway for Korean beauty products, we plan to further increase our influencer marketing effort in 2021 by (a) expanding our influencer and KOL base (in particular, the relevant net proceeds will primarily be applied for placing online advertisements of our *YesStyle Influencer Program* on the existing targeted social media platforms, such as *Instagram*, *YouTube*, *Facebook* and other new social media platforms, such as *TikTok*, *Pinterest* and *Twitter*. to promote awareness of our influencer marketing initiatives to potential influencers and KOLs, product suppliers and our customers); together with introducing competitive welcome offers and membership packages, free sponsored fashion and beauty products, influencer box sets and giveaways, shopping coupons and credits to influencers and KOLs; (b) influencer referral program to facilitate referral activities among the massive influencer peer community, such as extending invitations to peer by influencers; (c) recruiting the broader audiences, who are aware of *YesStyle*, which include customers of *YesStyle* and social media followers; and (d) utilizing third party influencer databases.

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## FUTURE PLANS AND USE OF PROCEEDS

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- (2) During the Track Record Period, we have gradually increased our expenditure in targeted marketing, placement of advertisements, our social media outreach and utilizing marketing on search engines to maximize our penetration of target customer exposure so as to drive more traffic to our websites and expand our customer base. In particular, we have established a social media outreach division under the marketing team to promote our brand and presence across various social media platforms. The division also hosts occasional giveaways on our platforms to increase the virality of our content and help us reach more potential customers. We frequently launch promotions corresponding to a variety of events and festivals, such as Annual Sale, Spring Festival, Easter Sale, Mother's Day Sale, Anniversary Sale, Back-to-school events, Singles' Day Promotion, Thanksgiving Sale, Black Friday Campaign and Christmas Sale. In 2021, we plan to increase our marketing efforts by partnering with additional brands in promotion campaigns corresponding to a variety of local events and festivals and devising local content and video campaigns in certain countries to promote our beauty and fashion products.
- (3) We intend to implement a CRM system in 2021 to acquire new customers and enhance our relationship with existing customers. Utilizing transactional and behavioral data and providing personalized content based on purchase history will help us acquire new customers. Based on segmentation of our customer groups with demographics of customers, purchase history, web behaviour and loyalty points, etc., we will be able to design dedicated marketing campaigns to target our customers at an appropriate time and channel (e.g. email, mobile apps or via social media platforms) and provide personalized content to our loyal customers.
- (4) We plan to significantly increase our marketing expenditure in retention marketing and promotion campaigns in 2021. We have established a retention division under the marketing team in 2020 to further expand our retention-focused marketing initiatives, including our loyalty program, member communication, website/apps personalization, product discounts and coupons to retain and grow our existing customer base. To cultivate customer loyalty and encourage our customers to make repeated purchases, we have devised retention campaigns by giving out membership discounts and coupons, our program tokens, free gift promotions, as well as potential special promotions, such as birthday offers at different marketing and promotion events and campaigns with the objective to achieve higher repeated purchase by our customers.

The above marketing initiatives are expected to promote additional visitors to the E-commerce platforms of the Company and result in their conversion into customers of the Company. For new customers, we currently utilize various marketing strategies to support our customer acquisition metrics, including influencer marketing, social media marketing and performance marketing. Through our influencer marketing, we will also be able to expand our influencer and KOL base to spread the word of mouth of our brands and products, thereby attracting new customers. A larger variety and more frequent launch of marketing campaigns and promotion events on an international and local level are also expected to better position ourselves as an Asian fashion & lifestyle and beauty product gateway and enhance the "stickiness" or loyalty of our new or existing customer groups. Personalized content and dedicated marketing campaigns will also help cultivate loyalty and increase repeated purchase. With these marketing initiatives, we will be able to capture business growth and expand our reach to other potential or new social media platforms and markets.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our acquisition cost per new customer was approximately US\$7.5, US\$7.9 and US\$7.1 for the three years ended 31 December 2020, respectively. We expect such acquisition costs to be approximately US\$10.1 and US\$10.1 for the two years ending 31 December 2022, respectively. In addition to expanding our marketing initiatives for recruitment of influencers and KOLs as well as acquisition of new customers, we also plan to increase our efforts and investment in retention marketing and promotion through our proposed offering of more personalized and automated communications to engage our expanding customer base and increase customer reactivation. To control costs, we have designed an automated and flexible feature in our *YesStyle Influencer Program*, which our Directors intend to minimize manual operation (from the automatic approval of influencers who sign up for our *YesStyle Influencer Program* that meet our criteria to the claiming of welcome offers and sponsored products by influencers, participation of our various events and campaigns by influencers, collaborations with influencers on marketing activities, earning of commissions by influencers and submission of user generated contents to us and our brand partners). The automated feature also helps us identifying top performing influencers to provide more personalized offers and giveaways as well as hosting opportunities to further leverage their social influence. We will implement further measures to enhance efficiency of marketing and promotion expenses. As a result, the marketing and promotion expenses, and the corresponding new customer acquisition costs, are expected to increase in the coming years. The average gross margin per customer<sup>(1)</sup> was approximately US\$41.7, US\$39.1 and US\$44.1 for the three years ended 31 December 2020, respectively. We expect the average gross margin per customer for the two years ending 31 December 2022 to be at a comparable level as that in the year ended 31 December 2020, considering our ability to adjust product pricing and free-shipping threshold in response to the revenue and gross profit performance of our E-commerce platforms. Based on the above, the Company believes that the benefit of the proposed marketing initiatives outweighs the associated cost of each customer acquisition cost.

*Note:*

- (1) The calculation of average gross margin per customer is based on total gross profit of the E-commerce platforms divided by the total number of E-commerce customers for the year.

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## FUTURE PLANS AND USE OF PROCEEDS

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- (2) Approximately HK\$18.8 million (representing 20.1% of net proceeds) is expected to be used to enhance our platform content and IT capabilities and create satisfactory user experience to promote benefits and uniqueness of Korean beauty and fashion products. Of the net proceeds to be used to enhance our platform content and IT capabilities and create satisfactory user experience, we plan to spend:
- (a) approximately HK\$5.3 million on developing a cloud based E-commerce platform with better infrastructure (multiple availability regions such as US, EU, Australia and other major countries or regions that are close to our customers/third party technology service providers) and higher flexibility of system processing power and storage capacity to support the anticipated surge in online real-time traffic and orders to our websites, mobile apps and enhance our social media platforms' performances, including faster product feed. In particular, we plan to further develop our technology stack, including migrating our technology to cloud data centers for upgraded speed, reliability and cost-effectiveness;

The Company has registered a 162% increase in the total average MAU of its E-commerce platforms from approximately 2.2 million for the year ended 31 December 2017 to approximately 5.9 million for the year ended 31 December 2020, and a 172% increase in the total number of orders of its E-commerce platforms from approximately 0.8 million for the year ended 31 December 2017 to approximately 2.3 million for the year ended 31 December 2020. According to the F&S Report, the consumption and purchase habits from offline to online in the key sale regions of the Group are expected to be strengthened under the influence of the COVID-19 pandemic.

The Company has been primarily relying on its in-house IT team to maintain the infrastructure development supporting its business growth over the years. It has become an increasingly common industry practice for E-commerce operators to migrate their IT infrastructure to cloud data centers for better scalability, stability, service speed and cost-savings. The need to upgrade the Company's IT infrastructure is triggered by its desire to satisfy the surge in online traffic and provide a better experience to E-commerce platforms visitors through integration of IT infrastructure with the latest third-party technology or application tools.

- (b) approximately HK\$2.1 million on enhancing our technology infrastructure and integrating up-to-date E-commerce technology infrastructure from third-party technology service providers to stay in line with market trend and customer expectations and improve both operational efficiency and customer satisfaction, including upgrading of the in-house front end, back-end and data mining system to keep our software packages and technology stack up-to-date; upgrading of the cyber security system to reduce security risks from credential stuffing attacks, DDoS attacks, cross site

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## FUTURE PLANS AND USE OF PROCEEDS

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scripting attacks and other cyber security issues; upgrading of the search engine such as localised language site search optimization and image search to help customers to find their desirable products easier, improving our API integration such as payment fraud detection, shipping address verification and IP location detection to enhance customer satisfaction and reduce inaccuracy, employing machine learning to optimize product data automation such as product categories and integrating AI technologies from third party technology service providers such as recommendation engine and product tagging to improve product recommendations to potential customers and the conversion rate;

- (c) approximately HK\$8.3 million on expanding our IT task force and offering training to our existing IT task force in the area of E-commerce technology, including programming, cloud infrastructure, data analytics and data security. In particular, we plan to hire a total of 11 front-end programmers/analysts, 11 back-end programmers/analysts to set up the cloud based platform, upgrade of our technology infrastructure and integrate up-to-date e-commerce technology stack; 2 cloud engineers to plan and implement various cloud migration projects; and 2 security specialists to plan and implement various security projects and increase security checkup frequency to reduce our security risks;

We plan to gradually hire a total of 26 new IT task force to improve our IT infrastructure to enhance visitor experience and operation efficiency of our E-commerce platforms through programming and integrating up-to-date E-commerce technology infrastructure and cyber security system.

The following sets out our expectations on the experience and qualifications for the new hire:

11 new front-end programmers/analysts:

- Existing number of employees in this function: 17 (as of the Latest Practicable Date)
- Key function: design and enhance our website and application, search engine and web server technologies, resulting in better customer experience through product recommendations and display of product image and information
- Expected average experience and qualifications: University graduate in computer science or related discipline and with about 3 to 8+ years of related working experience

11 new back-end programmers/analysts:

- Existing number of employees in this function: 16 (as of the Latest Practicable Date)

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## FUTURE PLANS AND USE OF PROCEEDS

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- Key function: design and deploy our internal IT system, order processing and customer communication system, promoting more speedy responses to customers' requests and develop new features for improving business operations
- Expected average experience and qualifications: University graduate in computer science or related discipline and with about 3 to 8+ years of related working experience

2 new cloud engineers:

- Existing number of employees in this function: Two (as of the Latest Practicable Date)
- Key function: monitor and maintain the daily operation of our cloud data centers to ensure stable visitor experience
- Expected average experience and qualifications: Certification in AWS certified Solution Architect (Associate-level credential) and about 2 years of related working experience

2 new security specialists:

- Existing number of employees in this function: Nil
- Key function: monitor and protect our IT system against cyber threat and data privacy concerns
- Expected average experience and qualifications: Certification in CISM or CISSP and about 5 to 10 + years of related working experience

In addition, our annual IT training expenses amount to approximately HK\$400,000. The net proceeds will also be applied to offer training to our existing IT task force in the area of E-commerce technology, including programming, cloud infrastructure, data analytics and data security.

- (d) approximately HK\$3.1 million on enhancing and enriching content quality and layout of our E-commerce platforms, websites, mobile apps, blog and social media pages to create more high-quality demonstrations of our products for both sales and marketing purposes and deliver authentic and aspirational experiences for our customers. In particular, we plan to hire a total of three editors, three user experience/user interface designers, two digital content and video production personnel and two translators for writing blog articles for our Korean brands and other beauty and fashion products, photo and video editing, website design and translation of languages, respectively;

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## FUTURE PLANS AND USE OF PROCEEDS

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- (3) Approximately HK\$15.0 million (representing 16.1% of net proceeds) is expected to be used to expand our logistics fulfillment capacity and enhance our warehouse efficiency. Of the net proceeds to expand our logistics fulfillment capacity and enhance our warehouse efficiency, we plan to spend:
- (a) approximately HK\$12.9 million on hiring a total of 60 full-time and 29 part-time employees for receiving and packaging goods and other logistics fulfillment purposes; and
  - (b) approximately HK\$2.1 million on refining our existing algorithms and adopting new technologies to dynamically optimize our fulfilment and inventory management capabilities (including employment of voice-picking solution, robotic labeling system and purchase of equipment and vehicles, and upgrading our warehouses in Hong Kong into smart warehouses). In particular, we plan to:
    - (i) purchase equipment and vehicles, which include one electric forklift, one electric reach truck, one 16-tonne truck and one pick-up truck;
    - (ii) rent one robotic labeling arm and the system for bulk printing; and
    - (iii) rent a total of 20 mobile devices for voice picking;

As at the Latest Practicable Date, the Company has a total of 163 employees working in the logistics function (comprising 131 full-time and 32 part-time employees with the latter's skills being assessed based on their suitability and productivity by management with the intention of offering them full-time positions working in the logistics function with fringe benefits (including bonus) should they meet expectations) working in the logistics function, as well as outsourced labour where it would be flexible for the Company to adjust the man hour capacity based on its business needs. The logistics fulfilment function of the Company primarily comprises warehousing, order fulfilment and logistic arrangement.

During the year ended 31 December 2020, we fulfilled a total of approximately 2.3 million orders for our E-commerce platforms customers. The total number of man-hours required for fulfilling such orders are estimated to be approximately 712,132 hours, considering an average order fulfilment time of approximately 19 minutes per order based on historical operational statistics.

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## FUTURE PLANS AND USE OF PROCEEDS

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Based on a total of approximately 800,812 available work hours of our full-time and part-time employees in the in-house logistics function and our outsourced labour as at 31 December 2020, the utilization rate is estimated to be approximately 88.9%.

In anticipation of our increase in orders in 2021 and 2022 due to our expansion in our marketing initiatives and anticipated growth in our business, we expect that the logistics fulfilment capacity will be fully utilized. As such, additional manpower is required to handle the anticipated increase in the number of orders. The Company plans to increase its logistics fulfilment capacity through recruitment of additional full-time and part-time employees as well as increases in outsourced labour for order fulfilment and logistic arrangement.

The proposed increase of 89 new logistics task force is justified by approximately 27.1% year to year increase in the total number of orders of its E-commerce platforms to 2.3 million for the year ended 31 December 2020, and the intention of the Company to increase its capacity to maintain the same service level and quality of its order fulfilment.

- (4) Approximately HK\$9.2 million (representing 9.8% of net proceeds) is expected to be used for general working capital.

We will adjust our allocation of the net proceeds for the above purposes on a pro rata basis should the amount of the proceeds differ from the estimated amount, assuming the Over-allotment Option is not exercised. In the case that the net proceeds are not immediately applied to the above purposes, they will be applied to short-term demand deposits with authorized financial institutions and/or licensed banks. If the Offer Price is set at HK\$3.33 per Share (being the high end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK\$6.3 million. If the Offer Price is set at HK\$3.00 per Share (being the low end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK\$6.3 million.

If the Over-allotment Option is exercised in full, the additional net proceeds we estimate that we will receive, after deducting underwriting fees and estimated expenses in connection with the Global Offering, will be:

- Approximately HK\$19.2 million assuming an Offer Price of HK\$3.33 per Share, being the high end of the Offer Price range;
- Approximately HK\$18.2 million assuming an Offer Price of HK\$3.165 per Share, being the mid-point of the Offer Price range; or
- Approximately HK\$17.3 million assuming an Offer Price of HK\$3.00 per Share, being the low end of the Offer Price range.

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## FUTURE PLANS AND USE OF PROCEEDS

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The possible use of proceeds outlined above may change in light of the Group's evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any change to the proposed use of the proceeds as described above, the Company will make an appropriate announcement and make disclosure in the Company's annual report for the relevant year as required by the Listing Rules.

### IMPLEMENTATION PLAN

Our implementation plans are set forth below for the period from the Listing Date to 31 March 2023. Investors should note that the following implementation plans are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialize in accordance with our expected time frame or that our objectives will be accomplished. While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavors to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of proceeds as described above, the Company will make an appropriate announcement and make disclosure in the Company's interim/annual report for the relevant period/year as required by the Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

The following tables set out the details of our implementation plan:

	From the Listing Date to 31 December 2021 <i>HK\$ million</i>	From 1 January 2022 to 31 December 2022 <i>HK\$ million</i>	From 1 January 2023 to 31 March 2023 <i>HK\$ million</i>	Total amount to be funded by net proceeds from the Global Offering <i>HK\$ million</i>	Total % of net proceed from the Global Offering %
(1) Increase our marketing efforts for customer acquisition and retention <sup>(1)</sup>					
(a) adopting influencer and KOL marketing strategies and building content driven campaigns through our <i>YesStyle Influencer Program</i> and KOL initiative	8.0	16.9	5.4	30.3	32.4
(i) speed up the engagement of influencers and KOLs	3.3	7.8	2.5	13.6	14.6
(ii) expand our welcome and membership packages to cope with the increasing pool size of influencers	4.7	9.1	2.9	16.7	17.8
(b) organizing localized marketing campaigns	2.3	5.8	2.0	10.1	10.8
(c) implementing a CRM system to facilitate our marketing automation towards our increasing customer base	1.7	2.3	0.6	4.6	4.9
(d) expanding our retention marketing and promotion campaigns	1.7	2.9	0.9	5.5	5.9

*Note:*

- (1) Differences between the expected total marketing expenses disclosed on p. 367 and the above use of proceeds from the Global Offering will be funded by internal resources.

## FUTURE PLANS AND USE OF PROCEEDS

	From the Listing Date to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 March 2023	Total amount to be funded by net proceeds from the Global Offering	Total % of net proceed from the Global Offering
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	%
(2) Enhance our platform content and IT capabilities and create satisfactory user experience					
(a) developing a cloud based E-commerce platform	1.8	2.8	0.7	5.3	5.7
(b) enhancing our technology infrastructure and integrating up-to-date E-commerce technology infrastructure from third-party technology service providers	0.6	1.3	0.2	2.1	2.2
(c) expanding our IT task force and offering training to our existing IT task force in the area of E-commerce technology	1.6	4.9	1.8	8.3	8.9
(d) enhancing and enriching content quality and layout of our E-commerce platforms, websites, mobile apps, blog and social media pages	0.6	1.9	0.6	3.1	3.3
(3) Expand our logistics fulfillment capacity and enhance our warehouse efficiency					
(a) hiring a total of 60 full-time and 29 part-time employees for receiving and packaging goods and other logistics fulfillment purposes	3.1	7.5	2.3	12.9	13.8
(b) refining our existing algorithms and adopting new technologies	1.3	0.6	0.2	2.1	2.3
(4) General working capital	—	—	—	9.2	9.8

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with two cornerstone investors (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their respective designated entities to subscribe at the Offer Price for a certain number of our Offer Shares (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$3.00 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 15,000,000 Shares, representing approximately 37.94% of the Offer Shares and approximately 3.79% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

Assuming an Offer Price of HK\$3.165 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 14,217,000 Shares, representing approximately 35.96% of the Offer Shares and approximately 3.60% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

Assuming an Offer Price of HK\$3.33 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 13,513,000 Shares, representing approximately 34.18% of the Offer Shares and approximately 3.42% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme).

To the best knowledge of our Company, each of the Cornerstone Investors and their respective beneficial owner is an Independent Third Party, not our core connected person, and not an existing Shareholder of our Company, and each of the Cornerstone Investors are independent from each other. Our Company is of the view that the Cornerstone Investment Agreements are an early external validation of the investment merits of the Company, which are expected to ensure a successful Global Offering. We became acquainted with each of the Cornerstone Investors through business networking.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed for by the Cornerstone Investors (or their designated entities where such Cornerstone Investors elect) will rank *pari passu* with the fully paid Shares then in issue, and will be counted towards the public float of our Company under Rule 8.24 of the Listing

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## CORNERSTONE INVESTORS

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Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in the Company nor will it become our substantial shareholder.

There is no deferred settlement in payment and/or deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investors, and there are no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of Cornerstone Placing. Each of the Cornerstone Investors expects to finance its respective cornerstone investment with its own financial resources, and none of the subscription of the Offer Shares by the Cornerstone Investors are financed by the Company and its subsidiaries, the Directors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their respective close associates. None of the Cornerstone Investors are accustomed to take instructions from the Company and its subsidiaries, the Directors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their respective close associates.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation and clawback.”. Details of the allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results to be published by our Company on or around Thursday, 8 July 2021.

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Total subscription amount HK\$	Assuming a final Offer Price of HK\$3.00 per Share (being the low-end of the indicative Offer Price range)				Assuming a final Offer Price of HK\$3.165 per Share (being the mid-point of the indicative Offer Price range)				Assuming a final Offer Price of HK\$3.33 per Share (being the high-end of the indicative Offer Price range)					
		Number of Offer Shares to be subscribed <sup>(1)</sup>		Approximate % of the Shares in issue		Number of Offer Shares to be subscribed <sup>(1)</sup>		Approximate % of the Shares in issue		Number of Offer Shares to be subscribed <sup>(1)</sup>		Approximate % of the Shares in issue			
		Offer Shares	Approximate % of the Offer Shares	Offer Shares	Approximate % of the Offer Shares	Offer Shares	Approximate % of the Offer Shares	Offer Shares	Approximate % of the Offer Shares	Offer Shares	Approximate % of the Offer Shares	Offer Shares	Approximate % of the Offer Shares		
CS Logistics Holdings Ltd.	30,000,000	10,000,000	25.29	2.53	2.49	2.40	23.97	2.40	20.84	2.36	9,009,000	22.78	2.28	19.81	2.24
Triple Surge Holdings Limited	15,000,000	5,000,000	12.65	1.26	1.25	1.20	11.99	1.20	10.42	1.18	4,304,000	11.39	1.14	9.91	1.12
	45,000,000	15,000,000	37.94	3.79	3.74	3.60	35.96	3.60	31.26	3.54	13,513,000	34.17	3.42	29.72	3.36

*Note:*

- (1) Subject to rounding down to the nearest whole board lot of 1,000 Shares.
- (2) Immediately following the completion of the Global Offering and assuming the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option.

**Our Cornerstone Investor**

The following information of the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

**CS Logistics Holdings Ltd.** is a company incorporated in the British Virgins Islands in November 2004 and is indirectly owned as to 99.98% by Mr. Lau Shek Yau John (“**Mr. John Lau**”) and the remaining shares held by Ms. Lau Ying Cynthia. CS Logistics Holdings Ltd. is principally engaged in investment holding, and is one of the controlling shareholders of CN Logistics International Holdings Limited, a company listed on the Stock Exchange (stock code: 2130) (“**CN Logistics**”). The core business of CN Logistics is the provision of logistics services, which include air freight forwarding services and distribution and logistics services, in relation to fashion products and fine wine, with a primary focus on high-end fashion products. Mr. John Lau is the ultimate shareholder as well as the chairman of the board of CN Logistics. Mr. John Lau also served as an independent non-executive director of Golden Eagle Retail Group Limited (stock code: 3308) and Nanjing Sample Technology Company Limited (stock code: 1708), from February 2006 to May 2011 and from August 2003 to May 2011, respectively. Mr. John Lau has over 35 years of experience in trading, shipping and logistics industry in Hong Kong and China, and he is also the founder and has been the executive chairman and executive director of eCargo Holdings Limited, a company listed on the Australian Securities Exchange (ASX: ECG).

**Triple Surge Holdings Limited** is a company incorporated in the British Virgins Island in May 2008 and is wholly-owned by Mr. Tse Sze Wing Edmund (“**Mr. Tse**”), and his wife Mrs. Tse Wai Pik Kin (“**Mrs. Tse**”). It is principally engaged in investment holding. Mr. Tse is the independent non-executive chairman of AIA Group Limited (stock code: 1299), and he served as honorary chairman, chairman, president, and chief executive officer of AIA Company Limited. Mr. Tse also served as a director and senior vice chairman of life insurance of American International Group, Inc, a company whose shares are listed on the New York Stock Exchange. Mr. Tse is also a non-executive director of PCCW Limited (stock code: 0008), the parent company of one of our shareholders, PCCW e-Ventures Limited, and served as a non-executive director of PICC Property and Casualty Company Limited (stock code: 2328). He is also a director of Bridge Holdings Company Limited (formerly known as PineBridge Investments Limited) and the non-executive chairman of PineBridge Investments Asia Limited. Mrs. Tse serves as a director of Triple Surge Holdings Limited.

### **Conditions Precedent**

The subscription obligation of the Cornerstone Investors are subject to, among other things, the following conditions precedents:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become effective and all of the conditions precedent to completion set forth therein shall have been satisfied in accordance with their respective original terms (or as subsequently waived, to the extent it may be waived, by the relevant parties thereto) by no later than the respective time and date specified therein;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange as well as other applicable waivers and approvals, and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iii) the Offer Price having been agreed according to underwriting agreements and price determination agreement among the parties thereto in connection with the Global Offering;
- (iv) the respective representations, warranties, undertakings, confirmation, agreements and acknowledgements of the Cornerstone Investors are and will be as of the respective dates set forth in the relevant Cornerstone Investment Agreement accurate and true in all material respects and not misleading and there is no material breach of the relevant Cornerstone Investment Agreement by us and the Cornerstone Investor; and
- (v) no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

### **Restrictions on the Cornerstone Investment**

Each of the Cornerstone Investors for itself and on behalf of its subsidiaries has agreed that, among other things, without the prior written consent of each of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (the “**Cornerstone Lock-up Period**”), (i) dispose of, in any way, any of the Shares subscribed by it under the relevant Cornerstone Investment Agreement (“**the Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares, (ii) allow itself to undergo a change of control (as defined in The Takeovers Code) at the level of its ultimate beneficial owner, (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid

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## CORNERSTONE INVESTORS

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transaction, or (iv) agree or contract to, or publicly announce any intention to, enter into any of the foregoing transactions described in (i), (ii) and (iii) above, in each case whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for Relevant Shares, in cash or otherwise.

After expiration of the Cornerstone Lock-up Period, each of the Cornerstone Investors shall, subject to requirements under applicable laws and as specified in the relevant Cornerstone Investment Agreement, be free to dispose of any Relevant Shares and shall ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable laws.

Each of the Cornerstone Investors may transfer or enter into specific transactions in relation to the Shares so subscribed for in certain limited circumstances as permitted in the relevant Cornerstone Investment Agreement, such as transfer to a wholly-owned subsidiary or designated entity of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing, and such Cornerstone Investor and if applicable, its subsidiary, undertake to procure, that such wholly-owned subsidiary will be bound by such Cornerstone Investor's obligations stipulated under the relevant Cornerstone Investment Agreement and subject to the restrictions on disposals imposed on such Cornerstone Investor.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

UOB Kay Hian (Hong Kong) Limited  
Anuenue Securities Limited  
China Everbright Securities (HK) Limited  
Haitong International Securities Company Limited  
ICBC International Securities Limited  
Maxa Capital Limited  
Soochow Securities International Brokerage Limited  
Valuable Capital Limited  
VMS Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **The Hong Kong Public Offering**

##### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on 25 June 2021. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 3,954,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered pursuant to the Global Offering as mentioned herein (including any Over-allotment Shares or any Shares which may be issued pursuant to the exercise of (i) the outstanding options granted under the Pre-IPO Share Option Scheme and (ii) the options to be granted under the Post-IPO Share Option Scheme), and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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## UNDERWRITING

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### *Grounds for termination*

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Sponsor and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may by giving oral or written notice to our Company terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, PRC, South Korea and Japan (collectively, the “**Relevant Jurisdictions**”) and which for the purpose of the Hong Kong Underwriting Agreement, excludes COVID-19 and its accompanying effect commonly known as at the date of the Hong Kong Underwriting Agreement; or
  - (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange; or
  - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
  - (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions and which for the purpose of the Hong Kong Underwriting Agreement, excludes the withdrawal or revocation of Hong Kong's special status with the U.S. previously implemented by the United States-Hong Kong Special Policy Act of 1992 and its accompanying effect commonly known as at the date of the Hong Kong Underwriting Agreement; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar against any foreign currencies), in any of the Relevant Jurisdictions; or
- (viii) any proceedings of any third party being threatened or instigated against any member of our Group; or
- (ix) an order or petition for the winding up of any member of our Group with substantive business operations with respect to our Group when taken as a whole or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (x) without the prior written consent of the Sole Sponsor and the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provision) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xi) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or
- (xii) a contravention by any member of Group of the Listing Rules or applicable laws; or

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- (xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity which would affect the overall working capital position of our Group to meet the working capital requirements; or
- (xvi) a portion of the orders in the bookbuilding process have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

which, individually or in the aggregate, in the reasonable opinion of the Sole Sponsor and the Sole Global Coordinator:

- (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Company or any member of our Group or our Group as a whole ("**Material Adverse Effect**"); or
- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or
- (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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- (b) there has come to the notice of the Sole Sponsor and the Sole Global Coordinator:
- (i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Hong Kong Public Offering Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents, in any material respect, is not fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission of a material fact from any of the Hong Kong Public Offering Documents; or
  - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Hong Kong Underwriters, the International Underwriters, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or the Joint Lead Managers); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement; or
  - (v) any Material Adverse Effect; or
  - (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the warranties given by the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
  - (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options Schemes and the Post-IPO Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

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- (ix) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his or her office; or
- (xi) the Shares being rejected for clearing and settlement in CCASS on or before the Listing Date or such admission subsequently being revoked prior to the commencement of trading of the Shares on the Stock Exchange.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not, any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) or for the circumstances prescribed by Rule 10.08 of the Listing Rules (including any additional Shares that maybe issued pursuant to the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme).

#### *Undertaking by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders, namely Mr. Lau and Ms. Chu, has undertaken to the Stock Exchange, the Sole Global Coordinator, the Joint Bookrunners and us that he/she/it will not, save as permitted under the Listing Rules or pursuant to the Global Offering or any lending of Shares pursuant to the Stock Borrowing Agreement:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the

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immediately preceding paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and us that, within the First Six-month Period and the Second Six-month Period, it will:

- (a) when he/she/it pledges or charges any Shares or other securities of our Company in respect of which he/she/it is the beneficial owner in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company of any such pledge or charge and the number of Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

We will also, as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

### **Undertakings pursuant to the Hong Kong Underwriting Agreement**

#### ***Undertakings by our Company***

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters that, we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

- (i) allot, issue, sell, accept subscription for, contract or offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other

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member of our Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above,

in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or grant of options or issuance of Shares upon exercise of such options pursuant to the Pre-IPO Share Option Schemes or Post-IPO Share Option Scheme or any issue of equity securities in compliance with the requirements under the Listing Rules (including but not limited to Rule 10.08 of the Listing Rules) or any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

During the Second Six-Month Period, we shall not enter into any of the transactions specified in sub-paragraphs (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be our Controlling Shareholder.

In the event that, during the Second Six-month Period, we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

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### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to (a) the Global Offering, (b) the Over-allotment Option or (c) the Stock Borrowing Agreement (if applicable), none of our Controlling Shareholders will, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree or announce any intention to effect any transaction described in (i) to (iii) above,

in each case, whether any such transaction specified in (i), (ii) or (iii) above is to be settled by delivery of our Shares or other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

During the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the transactions in sub-paragraphs (i), (ii) or (iii) above or offer to or agree or announce any intention to enter into any such transactions if, immediately following

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such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances pursuant to such transaction, he/she will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company.

Until the expiry of the Second Six-month Period, in the event that each of our Controlling Shareholders enters into any such transactions in sub-paragraphs (i), (ii) or (iii) above or offers to or agrees or announces any intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he/she will not create a disorderly or false market in the securities of our Company.

At any time during the First Six-month Period and Second Six-month Period (i) our Controlling Shareholders will, if they pledge or charge or intends to pledge or charge any Shares or other securities of our Company in respect of which they are the beneficial owner, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator and the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) our Controlling Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator and the Stock Exchange of any such indication.

### **Indemnity**

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from the performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

### **The International Offering**

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set forth therein, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 5,931,000 Offer Shares, representing 15% of the initial Offer Shares, at the same price for each Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

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It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

### **Total commission and expenses**

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. It is expected that the International Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the International Offer Shares initially offered under the International Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, our Company may, in our sole discretion but is not obliged to, pay the Sole Global Coordinator an incentive fee of up to 1.5% of the Offer Price multiplied by the total number of Hong Kong Offer Shares and the International Offer Shares (as applicable). The aggregated underwriting commission of the Global Offering (including incentive fees, if any) is not expected to exceed 4.5% of the Offer Price multiplied by the Offer Shares.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$3.165 per Share (being the mid-point of the indicative Offer Price range of HK\$3.00 to HK\$3.33 per Share), the aggregate underwriting commissions and fees payable to the Underwriters, together with the Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and all other expenses, payable by our Company relating to the Global Offering are estimated to be approximately US\$4.1 million in total (excluding any discretionary incentive fee).

### **Activities by syndicate members**

We describe below a variety of activities that the Hong Kong Underwriters and the International Underwriters of the Global Offering (together, the “**Syndicate Members**”), may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for the Stabilising Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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## UNDERWRITING

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- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage fee, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the sections headed “Structure and Conditions of the Global Offering — Stabilisation”. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

### **Hong Kong Underwriters’ interests in our company**

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and its affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

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### **Other services to our Company**

The Sole Global Coordinator or the Syndicate Members (acting in such capacity or otherwise) and its affiliates has, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator or the Syndicate Members (acting in such capacity or otherwise) and its affiliates has received or will receive customary fees and commissions.

### **Share over-allotment and stabilisation**

Further information on the arrangements relating to the Over-allotment Option and stabilisation is set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

### **Sole Sponsor’s independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 3,954,000 Offer Shares in Hong Kong as described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering” in this prospectus; and
- (ii) the International Offering of an aggregate of initially 35,586,000 Offer Shares (subject to reallocation and the Over-allotment Option), to be offered outside the United States in reliance on Regulation S or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

Of the 3,954,000 Offer Shares initially being offered under the Hong Kong Public Offering, 395,000 Offer Shares (representing approximately 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 10.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into consideration the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent 11.3% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set forth in the paragraphs under “Over-allotment Option” below.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraphs under “The Hong Kong Public Offering — Reallocation and clawback” below.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 3,954,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 10% of our Shares in issue immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and that there is no adjustment in the number of Shares between the Hong Kong Public Offering and the International Offering. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraphs under “Conditions of the Hong Kong Public Offering” below.

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 1,780,000 Offer Shares for pool A and 1,779,000 Offer Shares for pool B.

- Pool A: the Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable) or less.
- Pool B: the Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 1,779,000 Offer Shares are liable to be rejected.

### **Reallocation and clawback**

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 11,862,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 15,816,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 19,770,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Global Coordinator have the authority to reallocate any unsubscribed Offer Shares from such offering to the other, in such proportions as the Sole Global Coordinator deem appropriate.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offering Shares is fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are not fully subscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the Sole Global Coordinator may, at their sole and absolute discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering up to 3,954,000 Offer Shares, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 7,908,000 Shares, representing approximately 20.0% of the number of the Offer shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK\$3.00 per Offer Share (being the low-end of the indicative Offer Price range) in accordance with Guidance Letter HKEx-GL91-18.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.33 per Share in addition to any brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraphs under "Pricing of the Global Offering" below, is less than the maximum price of HK\$3.33 per Share, appropriate refund payments (including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth below in the section headed "How to Apply for our Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE EMPLOYEE PREFERENTIAL OFFERING

Of the 3,954,000 Offer Shares initially being offered under the Hong Kong Public Offering, 395,000 Offer Shares (representing approximately 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

The Employee Reserved Shares are being offered out of the Hong Kong Public Offering and are not subject to the clawback mechanism as set forth in the paragraph headed “The Hong Kong Public Offering — Reallocation and clawback” below. As of the Latest Practicable Date, there were 567 Eligible Employees being eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company’s Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Hong Kong Public Offering in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares.

Any application made on a **PINK** Application Form for more than 395,000 Employee Reserved Shares will be rejected. Any Employee Reserved Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering after the reallocation as described above in the paragraph headed “The Hong Kong Public Offering” in this section.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Hong Kong Offer Shares as a member of the public in the Hong Kong Public Offering on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **White Form eIPO** Service Provider or giving **electronic application instruction** to HKSCC via CCASS; or
- apply for or indicate an interest for International Offer Shares under the International Offering,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares or International Offer Shares.

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 35,586,000 Offer Shares representing 90% of the Offer Shares under the Global Offering.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “— Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares, and who has made an application under the Hong Kong Public Offering, to provide sufficient information so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed “— The Hong Kong Public Offering — Reallocation and clawback” or the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **Over-allotment Option**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 5,931,000 Shares, representing 15.0% of the initial number of our Offer Shares, at the same price for each International Offer Share, to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the Shares to be allotted and issued thereunder will represent 11.3% of the enlarged number of Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made by our Company.

### **STABILISATION**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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In connection with the Global Offering, the Stabilising Manager or any person acting for it may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of our Shares than the Underwriters is required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to be allotted with additional Shares by our Company or purchasing our Shares in the open market. In determining the source of our Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of our Shares in the open market as compared to the price at which they may subscribe for additional Shares pursuant to the exercise of the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of our Shares while the Global Offering is in progress. Any market purchase of our Shares can only be effected on the Stock Exchange in compliance with all applicable laws and regulations. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be issued under the Over-allotment Option, i.e. 5,931,000 Shares, which is 15.0% of the initial number of our Offer Shares, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- (c) purchasing or subscribing, or agreeing to purchase or subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, our Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling our Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day of the last day for the lodging of applications under the Hong Kong Public Offering. As a result, demand for our Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of our Shares. As a result, the price of our Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made by our Company within seven days of the expiration of the stabilising period.

### **STOCK BORROWING AGREEMENT**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 5,931,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Mr. Lau pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager and Mr. Lau on or about the Price Determination Date. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules.

If the Stock Borrowing Agreement with Mr. Lau is entered into, the borrowing of Shares will only be effected by Stabilising Manager (or any person acting for it) for the settlement of over-allocations in the International Offering. The same number of Shares so borrowed must be returned to Mr. Lau or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Mr. Lau by the Stabilising Manager or its agent in relation to such stock borrowing arrangement.

### PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 2 July 2021, and in any event not later than Thursday, 8 July 2021, by agreement between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.33 and is expected to be not less than HK\$3.00 unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.yesasiaholdings.com](http://www.yesasiaholdings.com)) notices of the reduction. Upon the issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. **If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set forth in the announcement and all unconfirmed applications will not be valid.** In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The Offer Price for Shares under the Global Offering is expected to be determined on Friday, 2 July 2021. The Offer Price, indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 8 July 2021 on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.yesasiaholdings.com](http://www.yesasiaholdings.com)).

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting”.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, our Offer Shares being offered pursuant to the Global Offering (including the Over-allotment Option) and our Shares that may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of our Company at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for our Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 8 July 2021 but will only become valid certificates of title at 8:00 a.m. on Friday, 9 July 2021 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### SHARES WILL BE ELIGIBLE OF CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

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

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

### DEALINGS IN OUR SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 9 July 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 9 July 2021. Our Shares will be traded in board lots of 1,000 Shares each and the stock code of our Shares will be 2209.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at *www.eipo.com.hk*; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. Save as an Eligible Employee, none of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate or a close associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon the completion of the Global Offering; or
- are a U.S. person or a person who is within the United States (both terms as defined under the Regulation S).

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

For the Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 28 June 2021 to 12:00 noon on Friday, 2 July 2021 from:

*(i) the following office of the Sole Global Coordinator, the Joint Bookrunners and Hong Kong Underwriters:*

<b>UOB Kay Hian (Hong Kong) Limited</b>	6/F Harcourt House 39 Gloucester Road Hong Kong
<b>Anuenue Securities Limited</b>	28/F, 18 Pennington Street Causeway Bay Hong Kong
<b>China Everbright Securities (HK) Limited</b>	12/F, Everbright Centre 108 Gloucester Road Wanchai, Hong Kong
<b>Haitong International Securities Company Limited</b>	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
<b>ICBC International Securities Limited</b>	37/F, ICBC Tower 3 Garden Road Central, Hong Kong
<b>Maxa Capital Limited</b>	Unit 1908, 19/F, Harbour Center 25 Harbour Road Wan Chai Hong Kong

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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<b>Soochow Securities International Brokerage Limited</b>	17/F, Three Pacific Place 1 Queen's Road East Hong Kong
<b>Valuable Capital Limited</b>	Unit 2808, 28/F, China Merchants Tower Shun Tak Centre, 168–200 Connaught Road Central Central, Hong Kong
<b>VMS Securities Limited</b>	49/F, One Exchange Square 8 Connaught Place, Central Hong Kong

*(ii) any of the branches of the receiving bank:*

**Bank of China (Hong Kong) Limited**

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 28 June 2021 until 12:00 noon on Friday, 2 July 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees at 5/F, KC100, 100 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong during normal business hours from 9:00 a.m. on Monday, 28 June 2021 until 12:00 noon on Wednesday, 30 June 2021. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the respective websites of our Company at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — YESASIA PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Monday, 28 June 2021</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Tuesday, 29 June 2021</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 30 June 2021</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 2 July 2021</b>	<b>—</b>	<b>9:00 a.m. to 12:00 noon</b>

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — YESASIA PUBLIC OFFER" for the payment, must be returned to 5/F, KC100, 100 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong by 12:00 noon on Wednesday, 30 June 2021.

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Friday, 2 July 2021, the last application day or such later time as described in the paragraphs under "Effect of Bad Weather on the Opening of the Application Lists" below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Collection in Person" section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Terms and Conditions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

### **Terms, conditions and instructions for the PINK Application Form**

You may refer to the **PINK** Application Form for details.

### 5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

#### General

Individuals who meet the criteria in “— Who can apply” may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at *www.eipo.com.hk*.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

#### Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at *www.eipo.com.hk* (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 28 June 2021 until 11:30 a.m. on Friday, 2 July 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 2 July 2021 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

#### No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### Section 40 of our Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of our Companies (Winding up and Miscellaneous Provisions) Ordinance.

#### *Commitment to sustainability*

The obvious advantage of **White Form eIPO service** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “YesAsia Holdings Limited” **White Form eIPO** application submitted via *www.eipo.com.hk* to support sustainability.

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the general rules of CCASS and the CCASS operational procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (*https://ip.ccass.com*) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

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You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

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- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

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- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the general rules of CCASS and the CCASS operational procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Monday, 28 June 2021</b>	—	<b>9:00 a.m. to 8:30 p.m.</b>
<b>Tuesday, 29 June 2021</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 30 June 2021</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Friday, 2 July 2021</b>	—	<b>8:00 a.m.<sup>1</sup> to 12:00 noon</b>

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 28 June 2021 until 12:00 noon on Friday, 2 July 2021 (24 hours daily, except on Friday, 2 July 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 2 July 2021, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

*Note:*

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 2 July 2021.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

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“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at *www.eipo.com.hk*.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering — Pricing of the Global Offering” in this prospectus.

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 July 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 2 July 2021 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 8 July 2021 on our Company’s website at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.yesasiaholdings.com](http://www.yesasiaholdings.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 8 July 2021;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 8 July 2021 to 12:00 midnight on Wednesday, 14 July 2021;

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- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 8 July 2021 to Tuesday, 13 July 2021 (excluding Saturday, Sunday and Hong Kong public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 8 July 2021 to Sunday, 11 July 2021 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

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If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe(s) that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 1,779,000 Hong Kong Offer Shares.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price for each Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 8 July 2021.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below). No temporary document of title will be issued in respect of our Shares.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to collection in person as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price for each Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your bank may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 8 July 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to our Company on Thursday, 8 July 2021 and our Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Friday, 9 July 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### Collection in Person

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 8 July 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for collection in person, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for collection in person, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) in person within the time specified for collection, they will be despatched to the address specified in your Application Form on or before Thursday, 8 July 2021, by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 8 July 2021, by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 8 July 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, 8 July 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in “— Publication of Results” above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 8 July 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply through the White Form eIPO Service***

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 8 July 2021, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) in person within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 8 July 2021 by ordinary post at your own risk. If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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### *(iv) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 8 July 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “— Publication of Results” above on Thursday, 8 July 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 8 July 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 8 July 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price for each Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 8 July 2021.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-83, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.*



29th Floor Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

28 June 2021

The Board of Directors  
YESASIA HOLDINGS LIMITED  
UOB KAY HIAN (HONG KONG) LIMITED

### **Introduction**

We report on the historical financial information of YesAsia Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-83, which comprises the consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020, the statements of financial position of the Company as at 31 December 2018, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2018, 2019 and 2020 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-83 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 June 2021 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### **Directors' Responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting Accountant's Responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Accountant's Report, a true and fair view of the financial position of the Company as at 31 December 2018, 2019 and 2020 and the consolidated financial position of the Group as at 31 December 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Report on the matters under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

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

*Dividends*

We refer to Note 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**RSM Hong Kong**  
*Certified Public Accountants*  
Hong Kong  
28 June 2021

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this Accountant's Report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United State dollars ("US\$") and all values are rounded to the nearest thousand (US\$'000), unless otherwise stated.

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2018 US\$'000	2019 US\$'000	2020 US\$'000
<b>Revenue</b>	8	85,364	117,589	173,319
Cost of sales		<u>(56,297)</u>	<u>(79,941)</u>	<u>(111,448)</u>
<b>Gross profit</b>		29,067	37,648	61,871
Other income and other gains and losses	9	110	105	3,150
Selling expenses		(9,980)	(14,946)	(21,563)
Administrative expenses		(14,366)	(18,279)	(29,704)
(Impairment losses)/reversal of impairment losses for trade receivables		–	(21)	10
Fair value (loss)/gain on financial assets at fair value through profit or loss ("FVTPL")		<u>–</u>	<u>(99)</u>	<u>10</u>
<b>Profit from operations</b>		4,831	4,408	13,774
Finance costs	11	<u>(6)</u>	<u>(138)</u>	<u>(336)</u>
<b>Profit before tax</b>		4,825	4,270	13,438
Income tax expense	12	<u>(833)</u>	<u>(901)</u>	<u>(2,218)</u>
<b>Profit for the year</b>	13	<u>3,992</u>	<u>3,369</u>	<u>11,220</u>
<b>Other comprehensive income</b>				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations		<u>(16)</u>	<u>(55)</u>	<u>144</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>(16)</u>	<u>(55)</u>	<u>144</u>
<b>Total comprehensive income for the year</b>		<u>3,976</u>	<u>3,314</u>	<u>11,364</u>
<b>Earnings per share</b>	17			
Basic (cents per share)		<u>2.59</u>	<u>2.09</u>	<u>6.75</u>
Diluted (cents per share)		<u>1.09</u>	<u>0.91</u>	<u>2.98</u>

## B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	<i>Note</i>	2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	18	1,059	1,266	2,628
Right-of-use assets	19	–	2,445	13,540
Financial assets at FVTPL	20	–	761	784
Prepayments, deposits and other receivables	22	298	538	1,250
<b>Total non-current assets</b>		<u>1,357</u>	<u>5,010</u>	<u>18,202</u>
<b>Current assets</b>				
Inventories		4,512	5,356	8,364
Trade receivables	21	1,857	1,926	2,549
Prepayments, deposits and other receivables	22	2,573	3,260	3,309
Current tax assets		–	–	24
Pledged bank deposits	23(a)(i)	771	913	2,445
Bank and cash balances	23	9,923	16,992	28,484
<b>Total current assets</b>		<u>19,636</u>	<u>28,447</u>	<u>45,175</u>
<b>Current liabilities</b>				
Trade and other payables and accruals	24	5,061	7,898	14,889
Contract liabilities	25	5,889	7,697	8,436
Provisions	26	372	547	718
Lease liabilities	27	–	1,439	3,758
Finance lease payables	27	52	–	–
Bank borrowing	28	–	620	493
Current tax liabilities		655	1,393	1,904
<b>Total current liabilities</b>		<u>12,029</u>	<u>19,594</u>	<u>30,198</u>
<b>Net current assets</b>		<u>7,607</u>	<u>8,853</u>	<u>14,977</u>
<b>Total assets less current liabilities</b>		<u>8,964</u>	<u>13,863</u>	<u>33,179</u>

	<i>Note</i>	As at 31 December		
		2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>Non-current liabilities</b>				
Provisions	26	–	31	503
Lease liabilities	27	–	1,023	10,222
Finance lease payables	27	<u>165</u>	<u>–</u>	<u>–</u>
<b>Total non-current liabilities</b>		<u>165</u>	<u>1,054</u>	<u>10,725</u>
<b>NET ASSETS</b>		<u>8,799</u>	<u>12,809</u>	<u>22,454</u>
<b>Capital and reserves</b>				
Share capital	30	2,235	2,637	2,310
Reserves	31(a)	<u>6,564</u>	<u>10,172</u>	<u>20,144</u>
<b>TOTAL EQUITY</b>		<u>8,799</u>	<u>12,809</u>	<u>22,454</u>

## C. STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December		
		2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>Non-current assets</b>				
Investments in subsidiaries	35	<u>401</u>	<u>401</u>	<u>391</u>
<b>Current assets</b>				
Prepayments	22	17	35	335
Amounts due from subsidiaries	35	–	446	3,085
Bank and cash balances	23	<u>199</u>	<u>132</u>	<u>3,172</u>
<b>Total current assets</b>		<u>216</u>	<u>613</u>	<u>6,592</u>
<b>Current liabilities</b>				
Trade and other payables and accruals	24	633	343	2,122
Amount due to a subsidiary	35	312	–	–
Provision	26	50	64	112
Current tax liabilities		<u>140</u>	<u>270</u>	<u>329</u>
<b>Total current liabilities</b>		<u>1,135</u>	<u>677</u>	<u>2,563</u>
<b>Net current (liabilities)/assets</b>		<u>(919)</u>	<u>(64)</u>	<u>4,029</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(518)</u>	<u>337</u>	<u>4,420</u>
<b>Capital and reserves</b>				
Share capital	30	2,235	2,637	2,310
Reserves	31(b)	<u>(2,753)</u>	<u>(2,300)</u>	<u>2,110</u>
<b>(CAPITAL DEFICIENCY)/TOTAL EQUITY</b>		<u>(518)</u>	<u>337</u>	<u>4,420</u>

## D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share-based payments reserve	Capital reserve	Merger reserve	Foreign currency translation reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
		Note	Note	Note	Note		
		31(c)(i)	31(c)(ii)	31(c)(iii)	31(c)(iv)		
<b>For the year ended</b>							
<b>31 December 2018</b>							
At 1 January 2018	2,284	1,100	15,308	2,271	69	(16,347)	4,685
Total comprehensive income for the year	–	–	–	–	(16)	3,992	3,976
Issue of shares under share option scheme	121	(35)	–	–	–	–	86
Repurchase of shares	(170)	–	–	–	–	–	(170)
Recognition of share-based payments (Note 32)	–	222	–	–	–	–	222
Changes in equity for the year	(49)	187	–	–	(16)	3,992	4,114
At 31 December 2018	2,235	1,287	15,308	2,271	53	(12,355)	8,799

**APPENDIX I**
**ACCOUNTANT'S REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

	Share capital	Share-based payments reserve	Capital reserve	Merger reserve	Foreign currency translation reserve	(Accumulated losses)/ retained earnings	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<i>Note</i>	<i>Note</i>	<i>Note</i>	<i>Note</i>		
		<i>31(c)(i)</i>	<i>31(c)(ii)</i>	<i>31(c)(iii)</i>	<i>31(c)(iv)</i>		
<b>For the year ended</b>							
<b>31 December 2019</b>							
At 1 January 2019	2,235	1,287	15,308	2,271	53	(12,355)	8,799
Total comprehensive income for the year	–	–	–	–	(55)	3,369	3,314
Issue of shares under share option scheme	860	(207)	–	–	–	–	653
Repurchase of shares	(458)	–	–	–	–	–	(458)
Recognition of share-based payments ( <i>Note 32</i> )	–	501	–	–	–	–	501
Changes in equity for the year	402	294	–	–	(55)	3,369	4,010
At 31 December 2019	<u>2,637</u>	<u>1,581</u>	<u>15,308</u>	<u>2,271</u>	<u>(2)</u>	<u>(8,986)</u>	<u>12,809</u>
<b>For the year ended</b>							
<b>31 December 2020</b>							
At 1 January 2020	2,637	1,581	15,308	2,271	(2)	(8,986)	12,809
Total comprehensive income for the year	–	–	–	–	144	11,220	11,364
Issue of shares under share option scheme	701	(184)	–	–	–	–	517
Repurchase of shares	(1,028)	–	(966)	–	–	(743)	(2,737)
Recognition of share-based payments ( <i>Note 32</i> )	–	501	–	–	–	–	501
Changes in equity for the year	(327)	317	(966)	–	144	10,477	9,645
At 31 December 2020	<u>2,310</u>	<u>1,898</u>	<u>14,342</u>	<u>2,271</u>	<u>142</u>	<u>1,491</u>	<u>22,454</u>

## E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		4,825	4,270	13,438
Adjustments for:				
Allowance/(reversal of allowance) for inventories, net	13	88	73	(2)
Interest income	9	(18)	(34)	(31)
Depreciation of property, plant and equipment	13, 18	382	452	871
Depreciation of right-of-use assets	13, 19	–	1,660	3,444
Equity-settled share-based payments	14	222	501	501
Fair value loss/(gain) on financial assets at FVTPL		–	99	(10)
Finance costs	11	6	138	336
(Gains)/losses on disposals of property, plant and equipment	9	(8)	–*	103
Gains on remeasurement upon modification	9	(23)	(1)	(30)
Impairment losses/(reversal of impairment losses) for trade receivables		–	21	(10)
Provision for sales return, net	26	10	11	86
Provision for employee benefits, net	26	58	71	165
Reversal of provision on reinstatement costs	9, 26	–	–	(10)

	<i>Note</i>	Year ended 31 December		
		2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
Operating profit before working capital changes		5,542	7,261	18,851
Increase in inventories		(1,614)	(917)	(3,006)
Increase in trade receivables		(712)	(90)	(613)
Increase in prepayments, deposits and other receivables		(790)	(927)	(761)
Increase in trade and other payables and accruals		763	2,856	7,000
Increase in contract liabilities		1,817	1,808	739
Decrease in provisions		—	—	(10)
Cash generated from operations		5,006	9,991	22,200
Income taxes paid		(339)	(162)	(1,739)
Income taxes refunded		58	—	—
Interest paid		(6)	(129)	(326)
Net cash generated from operating activities		4,719	9,700	20,135
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Increase)/decrease in non-pledged bank deposits	23(a)(ii)	(198)	8	(13)
Decrease in restricted bank balance	23(b)	3	—	47
Acquisition of financial assets at FVTPL		—	(860)	—
Interest received		18	34	18
Purchases of property, plant and equipment		(590)	(867)	(2,344)
Proceeds from disposals of property, plant and equipment		12	1	—
Net cash used in investing activities		(755)	(1,684)	(2,292)

	Note	Year ended 31 December		
		2018 US\$'000	2019 US\$'000	2020 US\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Bank borrowings raised	33(a)	–	2,338	–
Repayment of bank borrowings	33(a)	–	(1,718)	(127)
Principal elements of lease payments	33(a)	(53)	(1,550)	(2,610)
Proceeds from issuance of shares	30	86	653	517
Repurchase of shares	30	(170)	(458)	(2,737)
Increase in pledged bank deposits		<u>(692)</u>	<u>(142)</u>	<u>(1,532)</u>
Net cash used in financing activities		<u>(829)</u>	<u>(877)</u>	<u>(6,489)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
		3,135	7,139	11,354
Effect of foreign exchange rate changes		(24)	(62)	172
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>				
		<u>6,550</u>	<u>9,661</u>	<u>16,738</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>				
		<u>9,661</u>	<u>16,738</u>	<u>28,264</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Bank and cash balances		9,923	16,992	28,484
Less: Bank deposits with original maturity beyond three months	23(a)(ii)	(198)	(190)	(203)
Restricted bank balances	23(b)	<u>(64)</u>	<u>(64)</u>	<u>(17)</u>
		<u>9,661</u>	<u>16,738</u>	<u>28,264</u>

\* Less than US\$1,000

**II. NOTE TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

YesAsia Holdings Limited (the “Company”) was incorporated in Hong Kong with limited liability on 11 March 2005. The address of its registered office and principal place of business is 5/F, KC100, 100 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 35 to the Historical Financial Information.

The Company has no ultimate holding company, and ultimate controlling parties of the Company are Mr. Lau Kwok Chu and Ms. Chu Lai King respectively.

The Historical Financial Information contained in this Prospectus does not constitute the Company’s statutory annual consolidated financial statements for any of the financial years ended 31 December 2018, 2019 and 2020.

The Company’s statutory auditor, RSM Hong Kong, has reported on these financial statements for the years ended 31 December 2018, 2019 and 2020. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

**2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Historical Financial Information also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622).

The Historical Financial Information have been prepared under the historical cost convention, except for Cash Surrender Value of life insurance which is carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group’s accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 5.

**3. ADOPTION OF NEW AND REVISED HKFRSs****(a) Application of new and revised HKFRSs**

The Historical Financial Information has been prepared in accordance with HKFRSs. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2018 throughout the Historical Financial Information including HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments except that the Group adopted HKFRS 16 Leases (“HKFRS 16”) on 1 January 2019 and HKAS 17 Leases (“HKAS 17”) for the year ended 31 December 2018. The accounting policies for leases under HKFRS 16 are set out in Note 4 below.

***HKFRS 16 Leases***

HKFRS 16 supersedes HKAS 17, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) — 15 Operating Leases-Incentives and HK(SIC) — 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

***(a) New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

*(b) Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 ranged from 2.70% to 6.58%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iv) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in Note 34 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<i>US\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	1,512
Add: extension options which the Group considers it reasonably certain to be exercised	1,417
Less: short-term leases and other leases with remaining lease term ended on or before 31 December 2019	<u>(50)</u>
	2,879
Less: total future interest expenses	<u>(155)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	2,724
Add: finance lease liabilities recognised as at 31 December 2018	<u>217</u>
Lease liabilities recognised as at 1 January 2019	<u><u>2,941</u></u>
Analysed as:	
Current lease liabilities	1,277
Non-current lease liabilities	<u>1,664</u>
	<u><u>2,941</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16		Carrying amount as at 1 January 2019
		Re-classification	Re-cognition of leases	
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Assets</b>				
Right-of-use assets	–	206	2,706	2,912
Property, plant and equipment	(i) 1,059	(206)	–	853
<b>Liabilities</b>				
Lease liabilities	–	217	2,724	2,941
Finance lease payables	(ii) 217	(217)	–	–
Trade and other payables and accruals	5,061	–	(19)	5,042

*Notes:*

- (i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to US\$206,000 as right-of-use assets.
- (ii) The Group reclassified the obligation under finance leases of US\$52,000 and US\$165,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

*(c) Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in an insignificant impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (Note 33(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (Note 33(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating lease as if under HKAS 17 <i>(Note 1)</i>	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:</b>					
Profit from operations	4,408	1,660	(1,613)	4,455	4,831
Finance costs	(138)	113	–	(25)	(6)
Profits before taxation	4,270	1,773	(1,613)	4,430	4,825
Profit for the year	3,369	1,773	(1,613)	3,529	3,992

	2019		2018	
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 (Note 1)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:</b>				
Cash generated from operations	10,014	(1,613)	8,401	5,008
Interest element of lease rentals paid	(121)	113	(8)	(6)
<b>Net cash generated from operating activities</b>	<b>9,723</b>	<b>(1,500)</b>	<b>8,223</b>	<b>4,721</b>
Capital element of lease rentals paid	(1,550)	1,500	(50)	(53)
<b>Net cash used in financing activities</b>	<b>(877)</b>	<b>1,500</b>	<b>623</b>	<b>(829)</b>

*Note 1:* The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

**(b) New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the Track Record Period. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendment to HKFRS 16 Leases Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Annual improvements to HKFRS standards 2018–2020	1 January 2022
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group's operation. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of Historical Financial Information are set out below.

**(a) Consolidation**

The Historical Financial Information include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(b) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in US\$, which is the Company's functional and presentation currency.

*(ii) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*(iii) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

**(c) Property, plant and equipment**

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment are calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	Over the lease term
Furniture and fixtures	5 years
Computer software and equipment	3–5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment are the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

**(d) Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

*The Group as a lessee**Policy applicable from 1 January 2019*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

*Policy prior to 1 January 2019*

Prior to 1 January 2019, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(f) Contract assets and contract liabilities**

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in Note 4(r) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

The Group operates a customer loyalty programme which awards customers to enjoy certain discounts on future purchases. The program gives rise to a separate performance obligation because it provides a material right to the customers. A portion of the transaction price is allocated to the customers based on relative stand-alone selling price and are recognised as contract liabilities.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

**(g) Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(h) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

**(i) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

**(k) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**(i) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(ii) Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

**(iii) Trade and other payables**

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(iv) Ordinary share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects, if any.

**(v) Preferred share capital**

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred shares classified as equity are recognised as distributions within equity.

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

**(I) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the E-commerce transactions and offline wholesale of products, stated net of value added taxes, sales taxes, returns, rebates and discounts.

Revenue is recognised when specific criteria have been met for the Group's activity described below:

***Sale of goods — E-commerce transactions***

The Group sells products through E-commerce platforms. Revenue from the sale of goods is recognised on a trade date basis when the relevant transactions are executed and there is no unfulfilled obligation that affect the customer's acceptance of the products. Payment of the transaction price is due immediately when the customer purchases the goods. The Group estimates the sales return provision based on accumulated experience.

***Sale of goods — Offline wholesale***

Sales are recognised when control of the products has transferred, being when the products are delivered, being at the point the goods have been shipped in accordance with the terms of contract, to the wholesaler. The wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that affects the wholesaler's acceptance of the products.

The goods are often sold with sales discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, if any. No element of financing is deemed present.

***Customer loyalty programme***

The Group operates a customer loyalty programme, where certain customers accumulate points for purchases made which entitle them to purchase goods at certain discounts on future purchases. The customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocates a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. The amount allocated to the loyalty program is recognised as a contract liability, and revenue is recognised when the rewards are redeemed or expire.

***Others***

Shipping revenue and service revenue are recognised over time when the services are performed.

Consignment sales represents income earned for goods consigned to the Group and is recognised when the control of consigned goods transferred to the customer.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

**(m) Employee benefits*****(i) Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

***(ii) Pension obligations***

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

***(iii) Termination benefits***

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

**(n) Share-based payments**

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

**(o) Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**(p) Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(q) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

**(r) Impairment of financial assets and contract assets**

The Group recognises a loss allowance for ECL on trade receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**(s) Derivative financial instruments**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

**(t) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

**(u) Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

**5. CRITICAL JUDGEMENTS AND KEY ESTIMATES****Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

**(a) Determining the lease terms of contracts with renewal options**

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**(a) Impairment of property, plant and equipment and right-of-use assets**

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amounts of property, plant and equipment as at 31 December 2018, 2019 and 2020 were US\$1,059,000, US\$1,266,000 and US\$2,628,000 respectively.

The carrying amounts of right-of-use assets as at 31 December 2018, 2019 and 2020 were Nil, US\$2,445,000 and US\$13,540,000 respectively.

**(b) Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

During the Track Record Period, income tax of US\$833,000, US\$901,000 and US\$2,218,000 respectively was charged to profit or loss based on the estimated profit.

**(c) Impairment of trade receivables**

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, 2019 and 2020, the carrying amounts of trade receivables were US\$1,857,000, US\$1,926,000 (net of allowance for trade receivables of US\$21,000) and US\$2,549,000 (net of allowance for trade receivables of US\$11,000) respectively.

**(d) Customer loyalty programme**

The allocation of the transaction price to the customer loyalty programme requires estimates of the relative stand-alone selling price. Where the actual outcome is different from the original estimate, such difference will impact the carrying amount of deferred revenue and profit or loss in the subsequent period.

The carrying amounts of deferred revenue in respect of customer loyalty programme as at 31 December 2018, 2019 and 2020 were US\$1,566,000, US\$1,885,000 and Nil respectively.

**(e) Share-based payments**

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payments reserve. In assessing the fair value of the share options, Binomial Option pricing model was used. The Binomial Option pricing model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Option pricing model requires the input of assumptions, including the share price, risk free rate, expected volatility, expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

The carrying amounts of share-based payments reserve as at 31 December 2018, 2019 and 2020 were US\$1,287,000, US\$1,581,000 and US\$1,898,000 respectively.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

## (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the group entities such as Hong Kong Dollars ("HK\$"), Korean Won ("WON"), Japanese Yen ("JPY"), Renminbi ("RMB"), Great Britain pound ("GBP") and Euro ("EUR"). As US\$ is pegged to HK\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rate.

The Group currently does not have a formal foreign currency hedging policy but will use foreign currency forward contracts to minimise against the risk when it is foreseen to be significant.

The Group's foreign currency denominated financial assets and liabilities, translated into US\$ at the prevailing closing rates at the end of the Track Record Period, are as follows:

	Exposure to foreign currencies								Total US\$'000
	US\$ US\$'000	HK\$ US\$'000	WON US\$'000	JPY US\$'000	RMB US\$'000	GBP US\$'000	EUR US\$'000	Others US\$'000	
<b>At 31 December 2018</b>									
Financial assets	3,416	2,734	5,217	1,191	253	237	343	513	13,904
Financial liabilities	<u>959</u>	<u>2,893</u>	<u>773</u>	<u>123</u>	<u>266</u>	<u>2</u>	<u>4</u>	<u>41</u>	<u>5,061</u>
<b>At 31 December 2019</b>									
Financial assets	11,046	2,954	6,260	699	104	277	544	663	22,547
Financial liabilities	<u>3,487</u>	<u>3,970</u>	<u>414</u>	<u>109</u>	<u>165</u>	<u>9</u>	<u>22</u>	<u>342</u>	<u>8,518</u>
<b>At 31 December 2020</b>									
Financial assets	21,821	4,649	7,020	1,305	145	348	830	626	36,744
Financial liabilities	<u>2,791</u>	<u>11,592</u>	<u>239</u>	<u>80</u>	<u>86</u>	<u>-</u>	<u>1</u>	<u>593</u>	<u>15,382</u>

*Sensitivity analysis*

The following table indicates the approximate change in the Group's profit for the year in response to reasonably possible changes in the foreign exchange rates of WON, JPY, RMB, GBP and EUR to which the Group has significant exposure at the end of the Track Record Period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the exchange rate fluctuation at the beginning and the end of the year.

	<b>Increase/ (decrease) in foreign exchange</b>	<b>Effect on profit for the year US\$'000</b>
<b>Group</b>		
<b>At 31 December 2018</b>		
WON	4%/(4%)	148/(148)
JPY	2%/(2%)	18/(18)
RMB	5%/(5%)	1/(1)
GBP	6%/(6%)	12/(12)
EUR	5%/(5%)	14/(14)
<b>At 31 December 2019</b>		
WON	4%/(4%)	195/(195)
JPY	2%/(2%)	10/(10)
RMB	1%/(1%)	1/(1)
GBP	3%/(3%)	7/(7)
EUR	2%/(2%)	9/(9)
<b>At 31 December 2020</b>		
WON	10%/(10%)	566/(566)
JPY	6%/(6%)	61/(61)
RMB	7%/(7%)	3/(3)
GBP	4%/(4%)	12/(12)
EUR	12%/(12%)	83/(83)

The sensitivity analysis of the Group's exposure to currency risk at the reporting date has been determined based on the hypothetical changes in foreign exchange rates which are commensurate with historical fluctuation during the Track Record Period. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the next reporting date.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

*(i) Credit risk of deposits with banks and financial institutions*

As at 31 December 2018, 2019 and 2020, all bank balances and bank deposits are held at reputable financial institutions and there is no significant concentration risk to a single counterparty and there is no history of defaults from these counterparties. The ECL is close to zero.

*(ii) Credit risk of trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group's largest customer shared nearly 10.2%, 5.3% and 2.7% respectively of the trade receivables at the end of each reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables generally are due within three months after the date of billing. Debtors with balances that are more than one month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The average ECL rate of trade receivables as at 31 December 2018, 2019 and 2020 is closed to 0%, 1.1% and 0.4% respectively. No impairment loss was recognised for the year ended 31 December 2018 in view of the amount was immaterial. Impairment losses for trade receivables of US\$21,000 was recognised for the year ended 31 December 2019 and reversal of impairment losses for trade receivables of US\$10,000 was recognised for the year ended 31 December 2020.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the year	–	–	21
Impairment losses recognised	–	21	–
Reversal of impairment losses	–	–	(10)
	<u>–</u>	<u>–</u>	<u>(10)</u>
At the end of the year	<u>–</u>	<u>21</u>	<u>11</u>

*(iii) Credit risk of deposits and other receivables*

Deposits and other receivables were mainly rental deposit and utilities and trade deposits. The credit quality of deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the directors of the Company are of the opinion that the risk of default is not significant and does not expect any losses from non-performance by the counterparties. Therefore, ECL rate of the deposits and other receivables is assessed to be minimal.

**(c) Liquidity risk**

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	<b>On demand or within 1 year US\$'000</b>	<b>Between 1 and 2 years US\$'000</b>	<b>Between 2 and 5 years US\$'000</b>	<b>Over 5 years US\$'000</b>	<b>Total undiscounted cash flows US\$'000</b>	<b>Carry amount US\$'000</b>
<b>At 31 December 2018</b>						
Trade and other payables and accruals	5,061	–	–	–	5,061	5,061
Finance lease payables	58	58	117	–	233	217
	<u>5,119</u>	<u>116</u>	<u>117</u>	<u>–</u>	<u>5,452</u>	<u>5,278</u>
<b>At 31 December 2019</b>						
Trade and other payables and accruals	7,898	–	–	–	7,898	7,898
Bank borrowing (Note)	143	143	383	–	669	620
Lease liabilities	1,502	905	144	–	2,551	2,462
	<u>9,543</u>	<u>1,048</u>	<u>520</u>	<u>–</u>	<u>11,112</u>	<u>10,980</u>
<b>At 31 December 2020</b>						
Trade and other payables and accruals	14,889	–	–	–	14,889	14,889
Bank borrowing	494	–	–	–	494	493
Lease liabilities	4,083	3,349	5,281	2,072	14,785	13,980
	<u>19,466</u>	<u>3,349</u>	<u>5,281</u>	<u>2,072</u>	<u>29,171</u>	<u>29,362</u>

*Note:* Bank borrowing with a repayment on demand clause should include in the “less than 1 year or on demand” time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

**(d) Interest rate risk**

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowing. These deposits and borrowing bear interests at variable rates that vary with the then prevailing market condition.

At 31 December 2018, 2019 and 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

Impact on consolidated profit after tax for the year:

	Year ended 31 December		
	2018	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Increase/(decrease) in interest rate			
100 basis points	50	107	169
(100) basis points	(50)	(107)	(169)

**(e) Categories of financial instruments**

	As at 31 December		
	2018	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financial assets:</b>			
Financial assets at FVTPL	–	761	784
Financial assets measured at amortised cost	13,904	21,786	35,960
<b>Financial liabilities:</b>			
Financial liabilities at amortised cost	<u>5,061</u>	<u>8,518</u>	<u>15,382</u>

**(f) Fair values**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

**Disclosures of level in fair value hierarchy:**

Description	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	US\$'000	US\$'000	US\$'000	2019
				US\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTPL				
Investment in a life insurance policy	–	761	–	761

Description	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	US\$'000	US\$'000	US\$'000	2020
				US\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTPL				
Investment in a life insurance policy	–	784	–	784

The fair value of investment in life insurance policies is determined by reference to the Cash Surrender Value as provided by the insurance company.

## 8. REVENUE

Disaggregation of revenue from contracts with customers by business and the timing of revenue recognition for the year are as follow:

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Sales of merchandise recognised at point in time	77,118	106,383	156,508
Shipping revenue recognised over time	8,240	11,199	16,807
Consignment sales recognised at point in time	6	7	4
	<u>85,364</u>	<u>117,589</u>	<u>173,319</u>

## Transaction price allocated to the remaining performance obligation

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Sales of merchandise recognised at point in time	3,814	5,287	5,375
Shipping revenue recognised over time	110	184	182
	<u>3,924</u>	<u>5,471</u>	<u>5,557</u>

Based on the information available to the Group at the end of reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2018, 2019 and 2020 will be recognised as revenue in the subsequent one year.

## 9. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Cash rebate/incentive income	–	20	38
Gains/(losses) on disposals of property, plant and equipment	8	–*	(103)
Gains on remeasurement upon lease modification	23	1	30
Government subsidies income ( <i>Note</i> )	–	–	3,139
Interest income from:			
Bank deposits	18	34	18
Financial assets at FVTPL	–	–	13
	18	34	31
Reversal of provision on reinstatement costs	–	–	10
Service revenue	13	–	–
Sundry income	48	50	5
	<u>110</u>	<u>105</u>	<u>3,150</u>

\* Less than US\$1,000

*Note:* Mainly represents the subsidy income from the Employment Support Scheme by the Hong Kong SAR Government.

**10. SEGMENT INFORMATION**

Information reported to the Chief Executive Officer (“CEO”) of the Group, being the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered, or service provided. The CEO has chosen to organise the Group’s results according to the category of the business segment and differences in nature of the goods and services that each segment delivers.

The Group has two operating segments as follows:

Fashion & lifestyle and beauty products	–	Trading of fashion wears, lifestyle products and beauty products to consumer
Entertainment products	–	Trading of entertainment products to consumer

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 4 to the Historical Financial Information. Segment results do not include unallocated administrative expenses, other income, other gains and losses, finance costs that are not directly attributable to segments and income tax expense.

**Information about operating segment results, assets and liabilities**

	<b>Fashion &amp; lifestyle and beauty products</b> <i>US\$'000</i>	<b>Entertainment products</b> <i>US\$'000</i>	<b>Unallocated</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Year ended 31 December 2018</b>				
Revenue from external customers	72,732	12,632	–	85,364
Segment results	7,423	741	(4,172)	3,992
Depreciation of property, plant and equipment	333	12	37	382
Impairment losses for trade receivables	–	–	–	–
Allowance/(reversal of allowance) for inventories	104	(16)	–	88
Additions to segment non-current assets	<u>696</u>	<u>14</u>	<u>78</u>	<u>788</u>

	Fashion & lifestyle and beauty products US\$'000	Entertainment products US\$'000	Unallocated US\$'000	Total US\$'000
<b>Year ended 31 December 2019</b>				
Revenue from external customers	102,838	14,751	–	117,589
Segment results	8,434	445	(5,510)	3,369
Depreciation of property, plant and equipment	395	7	50	452
Depreciation of right-of-use assets	1,367	149	144	1,660
Impairment losses for trade receivables	20	1	–	21
Allowance for inventories	71	2	–	73
Additions to segment non-current assets	<u>1,915</u>	<u>105</u>	<u>219</u>	<u>2,239</u>

**Year ended 31 December 2020**

Revenue from external customers	163,195	10,124	–	173,319
Segment results	19,196	80	(8,056)	11,220
Depreciation of property, plant and equipment	773	12	86	871
Depreciation of right-of-use assets	2,954	159	331	3,444
Reversal of impairment losses for trade receivables	(9)	(1)	–	(10)
Allowance/(reversal of allowance) for inventories	2	(4)	–	(2)
Additions to segment non-current assets	<u>15,547</u>	<u>689</u>	<u>1,770</u>	<u>18,006</u>

**Reconciliations of segment results**

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
<b>Revenue</b>			
Total revenue of reportable segments	85,364	117,589	173,319
<b>Segment results</b>			
Total segment results of reportable segments	8,164	8,879	19,276
Unallocated amounts:			
Unallocated income	110	105	3,150
Unallocated corporate expenses	<u>(4,282)</u>	<u>(5,615)</u>	<u>(11,206)</u>
Consolidated profit before tax for the year	<u>3,992</u>	<u>3,369</u>	<u>11,220</u>

**Geographical information:**

The Group's revenue from external customers by port of destinations and information about its non-current assets by location of assets are detailed below:

*Revenue*

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
United States	28,798	36,919	72,693
European countries			
France	4,045	8,474	14,441
Germany	3,213	6,124	9,817
Spain	907	1,788	3,270
Italy	943	1,267	2,190
Netherlands	1,206	1,914	3,040
Sweden	908	1,124	1,423
Other EU Countries <sup>(Note 1)</sup>	3,366	5,362	8,501
United Kingdom	8,669	10,191	14,674
Australia	9,167	9,591	12,074
Canada	6,996	9,347	10,934
Japan	5,388	9,499	5,538
Hong Kong	1,712	2,110	3,464
New Zealand	1,181	1,406	1,331
Singapore	994	1,049	1,179
Others <sup>(Note 2)</sup>	7,871	11,424	8,750
Consolidated Total	<u>85,364</u>	<u>117,589</u>	<u>173,319</u>

*Note 1:* Other EU countries include sales to EU countries that individually contributed less than 2% of our total revenue for the three years ended 31 December 2018, 2019 and 2020.

*Note 2:* Others include sales to countries that individually contributed less than 1% of our total revenue for the three years ended 31 December 2018, 2019 and 2020.

89.7%, 94.1% and 98.1% of the Group's non-current assets are located in Hong Kong at the end of the reporting period comprising the Track Record Period.

**Revenue about major customers:**

No revenue from a single customer of the Group contributed over 10% of the total revenue of the Group during each of the reporting period comprising the Track Record Period.

## 11. FINANCE COSTS

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Interest expenses on lease liabilities	–	121	314
Interest expenses on provision for reinstatement costs	–	9	10
Interest on bank borrowings	–	8	12
Finance lease charges	6	–	–
	<u>6</u>	<u>–</u>	<u>–</u>
	<u>6</u>	<u>138</u>	<u>336</u>

## 12. INCOME TAX EXPENSE

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Current tax — Hong Kong			
Profits Tax			
Provision for the year	776	760	1,967
Under-provision in current year	–	–	(14)
Over-provision in prior years	(4)	–*	(17)
	772	760	1,936
Current tax — Overseas corporate income tax			
Provision for the year	51	152	229
(Under)/over-provision in current year	–	(35)	37
Under-provision in prior years	–*	24	16
	51	141	282
Deferred tax ( <i>Note 29</i> )	10	–	–
	<u>10</u>	<u>–</u>	<u>–</u>
	<u>833</u>	<u>901</u>	<u>2,218</u>

\* *Less than US\$1,000*

Hong Kong Profits Tax has been provided at 16.5% based on the estimated assessable profits during the Track Record Period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime since the financial year ended 31 December 2018.

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25% and profits above that amount will be subject to the tax rate of 16.5%.

YesAsia.com (Korea) Limited ("YAKR") is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively "Korean Corporate Income Tax"). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit during the Track Record Period. The Korean Corporate Income Tax rates applicable to YAKR was 11% on the estimated assessable profits during the Track Record Period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Profit before tax	4,825	4,270	13,438
Tax at the Hong Kong Profits Tax rate of 16.5%	796	704	2,217
Tax effect of income that is not taxable	(3)	(4)	(531)
Tax effect of expenses that are not deductible	62	183	559
Tax effect of temporary differences not recognised	(2)	21	(103)
Tax effect of tax losses not recognised	25	48	33
Tax effect of utilisation of tax losses not previously recognised	(19)	(5)	(1)
Effect of different tax rates of subsidiaries	6	(6)	43
Tax concession	(28)	(29)	(21)
(Over)/under-provision in prior years	(4)	24	(1)
(Under)/over-provision in current year	–	(35)	23
Income tax expense	833	901	2,218

## 13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Allowance/(reversal of allowance) for inventories, net (included in cost of inventories sold)	88	73	(2)
Auditor's remuneration			
— Current year	86	100	178
— Under-provision for prior year	5	—	—
	91	100	178
Cost of inventories sold	37,989	53,415	67,391
Depreciation			
— Property, plant and equipment	382	452	871
— Right-of-use assets	—	1,660	3,444
	382	2,112	4,315
Listing expenses	—	—	2,109
Foreign exchange losses, net	126	196	1,304
Fair value losses on derivative financial instrument at FVTPL (Note)	75	149	108
Operating lease charges			
— leased properties	1,245	50	19
— leased equipment	—	—	10
	<u>1,245</u>	<u>50</u>	<u>29</u>

Note: Represent fair value losses on foreign exchange forward contracts.

## 14. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Salaries, bonuses and allowances	12,696	14,994	19,706
Equity-settled share-based payments	222	501	501
Retirement benefits scheme contributions	497	612	764
	<u>13,415</u>	<u>16,107</u>	<u>20,971</u>

## 15. BENEFITS AND INTERESTS OF DIRECTORS

Directors' remuneration disclosed pursuant to the section 383 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
Fees	14	14	15
Salaries and allowances	447	467	480
Discretionary bonuses	27	170	50
Equity-settled share-based payments	25	73	59
Retirement benefits scheme contributions	7	7	7
	<u>520</u>	<u>731</u>	<u>611</u>

## (a) Directors' emoluments

The emoluments of each director were as follows:

	Fees	Salaries and allowances	Discretionary bonuses	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Year ended 31 December 2018</b>						
<i>Executive directors</i>						
Mr. Lau Kwok Chu	-	227	14	17	3	261
Ms. Chu Lai King	-	123	7	6	2	138
Ms. Wong Shuet Ha	-	97	6	2	2	107
<i>Non-executive directors</i>						
Mr. Hui Yat Yan Henry	5	-	-	-	-	5
Mr. Lui Michael Pak-Shing	5	-	-	-	-	5
Mr. Poon Chi Ho	4	-	-	-	-	4
	<u>14</u>	<u>447</u>	<u>27</u>	<u>25</u>	<u>7</u>	<u>520</u>

	Fees US\$'000	Salaries and allowances US\$'000	Discretionary bonuses US\$'000	Equity-settled share-based payments US\$'000	Retirement benefit scheme contributions US\$'000	Total US\$'000
<b>Year ended 31 December 2019</b>						
<i>Executive directors</i>						
Mr. Lau Kwok Chu	–	244	161	70	3	478
Ms. Chu Lai King	–	124	5	2	2	133
Ms. Wong Shuet Ha	–	99	4	1	2	106
<i>Non-executive directors</i>						
Mr. Hui Yat Yan Henry	5	–	–	–	–	5
Mr. Lui Michael Pak-Shing	5	–	–	–	–	5
Mr. Poon Chi Ho	4	–	–	–	–	4
	<u>14</u>	<u>467</u>	<u>170</u>	<u>73</u>	<u>7</u>	<u>731</u>
<b>Year ended 31 December 2020</b>						
<i>Executive directors</i>						
Mr. Lau Kwok Chu	–	252	26	58	3	339
Ms. Chu Lai King	–	127	13	1	2	143
Ms. Wong Shuet Ha	–	101	11	–*	2	114
<i>Non-executive directors</i>						
Mr. Hui Yat Yan Henry	5	–	–	–	–	5
Mr. Lui Michael Pak-Shing	5	–	–	–	–	5
Mr. Poon Chi Ho	5	–	–	–	–	5
	<u>15</u>	<u>480</u>	<u>50</u>	<u>59</u>	<u>7</u>	<u>611</u>

\* Less than US\$1,000

There were no arrangements under which a director or the chief executive waived or agreed to waive any emoluments during the Track Record Period.

**(b) Five highest paid individuals**

The five highest paid individuals in the Group for the Track Record Period included 2 directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 3 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2018 US\$'000	2019 US\$'000	2020 US\$'000
Salaries and allowances	338	405	421
Discretionary bonuses	35	17	44
Equity-settled share-based payments	28	61	65
Retirement benefits scheme contributions	<u>7</u>	<u>7</u>	<u>7</u>
	<u>408</u>	<u>490</u>	<u>537</u>

The emoluments fell within the following band:

	Number of individuals		
	Year ended 31 December		
	2018	2019	2020
Nil to HK\$1,000,000 (equivalent to Nil to US\$129,000)	1	–	–
HK\$1,000,001 to HK\$2,000,000 (equivalent to US\$129,001 to US\$258,000)	3	4	4
HK\$2,000,000 to HK\$3,000,000 (equivalent to US\$258,001 to US\$387,000)	1	–	1
HK\$3,000,001 to HK\$4,000,000 (equivalent to US\$387,001 to US\$516,000)	–	1	–
	–	1	–

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**(c) Directors' material interests in transactions, arrangements or contracts**

Saved as disclosed in Note 36, no other transactions, arrangements and contracts of significance in relation to the business to which the Company's subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the Track Record Period.

**(d) Directors' interests in the shares, underlying shares and debentures of the Company or any specified undertakings of the Company or any other associated corporation**

Mr. Lau Kwok Chu, Ms. Chu Lai King and Ms. Wong Shuet Ha held options to subscribe shares of the Company. Details of options granted to the directors were as follows:

	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Transferred during the year	Outstanding at 31 December 2018
Mr. Lau Kwok Chu	1,260,000	–	–	(290,000)	970,000
Ms. Chu Lai King	200,000	–	–	–	200,000
Ms. Wong Shuet Ha	579,000	–	(10,000)	(50,000)	519,000
	2,039,000	–	(10,000)	(340,000)	1,689,000
	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Transferred during the year	Outstanding at 31 December 2019
Mr. Lau Kwok Chu	970,000	180,000	(460,000)	(200,000)	490,000
Ms. Chu Lai King	200,000	–	(30,000)	(110,000)	60,000
Ms. Wong Shuet Ha	519,000	–	(110,000)	(100,000)	309,000
	1,689,000	180,000	(600,000)	(410,000)	859,000

	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Transferred during the year	Outstanding at 31 December 2020
Mr. Lau Kwok Chu	490,000	–	–	(120,000)	370,000
Ms. Chu Lai King	60,000	–	–	–	60,000
Ms. Wong Shuet Ha	309,000	–	(289,000)	(20,000)	–
	<u>859,000</u>	<u>–</u>	<u>(289,000)</u>	<u>(140,000)</u>	<u>430,000</u>

Details of the share option plan are set out in Note 32 to the Historical Financial Information.

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

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

**(f) Independent non-executive directors**

Mr. Chan Yu Cheong, Mr. Sin Pak Cheong Philip Charles and Mr. Wong Chee Chung have been appointed as independent non-executive directors of the Company effective as of the Listing Date.

**16. DIVIDEND**

No dividend has been paid or declared by the Company during the Track Record Period.

**17. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following:

	Year ended 31 December		
	2018	2019	2020
	US\$ '000	US\$ '000	US\$ '000
<b>Earnings</b>			
Profit for the year attributable to owners of the Company	<u>3,992</u>	<u>3,369</u>	<u>11,220</u>
	'000	'000	'000
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ( <i>Note</i> )	154,068	161,298	166,321
Effect of dilutive potential ordinary shares arising from share options issued by the Company	31,954	28,353	31,502
Effect of dilutive potential ordinary shares arising from convertible preferred shares	<u>179,869</u>	<u>179,869</u>	<u>179,062</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share ( <i>Note</i> )	<u>365,891</u>	<u>369,520</u>	<u>376,885</u>

*Note:* On 9 June 2021, the Company underwent a share subdivision whereby each issued and unissued share in the Company's share capital shall be subdivided into 10 shares. Further details are set in Note 30 to the Historical Financial Information.

## 18. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Leasehold improvements <i>US\$'000</i>	Furniture and fixtures <i>US\$'000</i>	Computer software and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Cost</b>					
At 1 January 2018	575	383	3,192	81	4,231
Additions	85	108	595	–	788
Disposals/write off	(5)	(213)	(1,011)	(25)	(1,254)
Remeasurement upon modification	–	–	(207)	–	(207)
Exchange differences	–*	–*	(1)	–	(1)
At 31 December 2018 and 1 January 2019	655	278	2,568	56	3,557
Upon adoption of HKFRS 16	–	–	(217)	(56)	(273)
Additions	241	168	458	–	867
Disposals/write off	–	–	(5)	–	(5)
Exchange differences	–*	–*	(2)	–	(2)
At 31 December 2019 and 1 January 2020	896	446	2,802	–	4,144
Additions	1,229	300	815	–	2,344
Disposals/write off	(464)	(69)	(157)	–	(690)
Exchange differences	1	1	5	–	7
At 31 December 2020	1,662	678	3,465	–	5,805

	Leasehold improvements <i>US\$'000</i>	Furniture and fixtures <i>US\$'000</i>	Computer software and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Accumulated depreciation</b>					
At 1 January 2018	518	275	2,645	41	3,479
Charge for the year	59	43	269	11	382
Disposals/write off	(5)	(213)	(1,007)	(25)	(1,250)
Remeasurement upon modification	–	–	(112)	–	(112)
Exchange differences	–*	–*	(1)	–	(1)
At 31 December 2018 and 1 January 2019	572	105	1,794	27	2,498
Upon adoption of HKFRS 16	–	–	(40)	(27)	(67)
Charge for the year	100	62	290	–	452
Disposals/write off	–	–	(5)	–	(5)
Exchange differences	–*	–*	–*	–	–*
At 31 December 2019 and 1 January 2020	672	167	2,039	–	2,878
Charge for the year	370	107	394	–	871
Disposals/write off	(417)	(27)	(134)	–	(578)
Exchange differences	1	1	4	–	6
At 31 December 2020	626	248	2,303	–	3,177
<b>Carrying amount</b>					
At 31 December 2018	<u>83</u>	<u>173</u>	<u>774</u>	<u>29</u>	<u>1,059</u>
At 31 December 2019	<u>224</u>	<u>279</u>	<u>763</u>	<u>–</u>	<u>1,266</u>
At 31 December 2020	<u>1,036</u>	<u>430</u>	<u>1,162</u>	<u>–</u>	<u>2,628</u>

\* *Less than US\$1,000*

At 31 December 2018, the carrying amount of motor vehicles pledged to a bank for banking facilities granted amounting to US\$29,000.

## 19. RIGHT-OF-USE ASSETS

## The Group

	Leased properties <i>US\$'000</i>	Office equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2019 ( <i>Note 3</i> )	2,706	177	29	2,912
Additions	1,176	196	–	1,372
Remeasurement upon modification	–	(176)	–	(176)
Depreciation	(1,616)	(33)	(11)	(1,660)
Exchange differences	(3)	–*	–	(3)
At 31 December 2019 and 1 January 2020	2,263	164	18	2,445
Additions	15,434	228	–	15,662
Remeasurement upon modification ( <i>Note (a)</i> )	(990)	(144)	–	(1,134)
Depreciation	(3,385)	(47)	(12)	(3,444)
Exchange differences	10	1	–	11
At 31 December 2020	<u>13,332</u>	<u>202</u>	<u>6</u>	<u>13,540</u>

\* *Less than US\$1,000*

*Notes:*

- (a) YesAsia.com Limited leased a property for 5 years (including 2 years extension option exercised) as an office since 2017. The leased property was recognised as a right-of-use asset on 1 January 2019. The lease was modified through shortening the contractual lease term and changing the consideration in January 2020. As the result, the corresponding right-of-use asset was adjusted.
- (b) Lease liabilities of US\$2,462,000 and US\$13,980,000 were recognised with related right-of-use assets of US\$2,394,000 and US\$13,076,000 as at 31 December 2019 and 2020 respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

	As at 31 December	
	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation expenses on right-of-use assets	1,660	3,444
Interest expenses on lease liabilities (included in finance costs)	121	314
Expenses relating to short-term lease (included in administrative expenses)	<u>50</u>	<u>29</u>

- (c) Details of total cash outflow for leases is set out in Note 33(b).
- (d) The Group leases various properties, office equipment and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 to 3 years, but may have extension and termination options as described above. Certain leases of office equipment and motor vehicles were accounted for as finance leases during the Track Record Period and carried interest ranged from 1.41% to 4.35%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.
- (e) At 31 December 2019 and 2020, the carrying amount of motor vehicles pledged to a bank for banking facilities granted amounting to US\$18,000 and US\$6,000 respectively.

## 20. FINANCIAL ASSETS AT FVTPL

### The Group

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Investment in life insurance policy	—	761	784

In August 2019, the Group's subsidiary, YesStyle.com Limited entered into a life insurance policy with an insurance company to insure Mr. Lau Kwok Chu, a director of the Company. Under the policy, the beneficiary and the policy holder is YesStyle.com Limited and the total insured sum is US\$2,462,000. The Group was required to pay a one-off premium payment of US\$860,000 at the inception of the policy. A guaranteed interest rate of 3.9% per annum applied for the first 5 years, followed by the discretionary portion with a minimum guaranteed interest rate of 2.25% per annum for the following years until termination. The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("Cash Surrender Value"), which is determined by the premium payment plus accumulated guaranteed interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 16th policy year.

The carrying amount represented the Cash Surrender Value of the policy and approximates its fair value at the end of the reporting periods. As at 31 December 2019 and 2020, the life insurance was pledged to a bank to secure banking facilities of the Group (Note 28). The pledged was subsequently released by the bank in March 2021. Details of fair value measurement are set out in Note 7.

## 21. TRADE RECEIVABLES

**The Group**

The Group's turnover comprises mainly e-commerce sales and offline wholesale of products. No credit terms have been granted to e-commerce sales and certain offline wholesales are granted credit terms ranging from 0–90 days.

The balance of trade receivables represents the outstanding amounts receivable from the payment gateway companies who involved to process the customers' e-commerce transactions and offline wholesale customers. No default of settlement is expected by reference to past experience.

The aging analysis of trade receivables, based on the revenue recognition date at the end of each reporting period and net of allowance, is as follows:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	1,719	1,922	2,542
31 to 60 days	64	2	3
61 to 90 days	71	1	1
over 90 days	3	1	3
	<u>1,857</u>	<u>1,926</u>	<u>2,549</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
US\$	498	556	905
JPY	562	153	107
GBP	181	235	301
EUR	242	460	719
Australian dollar	131	165	211
Others	243	378	317
	<u>1,857</u>	<u>1,947</u>	<u>2,560</u>
Less: Impairment losses	<u>–</u>	<u>(21)</u>	<u>(11)</u>
	<u>1,857</u>	<u>1,926</u>	<u>2,549</u>

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

## The Group

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Prepayments			
Prepayment to suppliers	1,243	1,213	981
Prepaid rental	21	220	113
Prepaid listing expenses	–	–	219
Prepaid administrative expenses	254	410	764
	<u>1,518</u>	<u>1,843</u>	<u>2,077</u>
Deposits			
Rental deposits	388	978	1,305
Trade deposits	182	235	287
Utilities deposits	55	73	104
	<u>625</u>	<u>1,286</u>	<u>1,696</u>
Other receivables			
Export tax refundable	711	630	783
Others	17	39	3
	<u>728</u>	<u>669</u>	<u>786</u>
	<u>2,871</u>	<u>3,798</u>	<u>4,559</u>
Analysed as:			
Current assets	2,573	3,260	3,309
Non-current assets	298	538	1,250
	<u>2,871</u>	<u>3,798</u>	<u>4,559</u>

## The Company

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Prepaid listing expenses	–	–	219
Prepaid administrative expenses	17	35	116
	<u>17</u>	<u>35</u>	<u>335</u>

## 23. BANK DEPOSITS AND BANK AND CASH BALANCES

## The Group

*(a) Bank deposits*

		As at 31 December		
		2018	2019	2020
	Note	US\$'000	US\$'000	US\$'000
Pledged bank deposits	(i)	771	913	2,445
Non-pledged bank deposits	(ii)	<u>308</u>	<u>190</u>	<u>203</u>
		<u>1,079</u>	<u>1,103</u>	<u>2,648</u>

The average interest rate of the Group's bank deposits was as follows:

	As at 31 December		
	2018	2019	2020
Pledged bank deposits	1.89%	1.37%	0.63%
Non-pledged bank deposits	1.41%	1.48%	0.87%

The Group's bank deposits bear fixed interest rates per annum and therefore are subject to fair value interest rate risk.

*Notes:*

- (i) The Group's pledged bank deposits represented deposits pledged to banks as securities for the banking facilities of the corporate credit cards and letters of guarantee for suppliers granted to the Group.
- (ii) As at 31 December 2018, 2019 and 2020, the Group's non-pledged bank deposits with original maturity beyond three months of US\$198,000, US\$190,000 and US\$203,000 respectively. These deposits are denominated in WON.

*(b) Bank and cash balances*

As at 31 December 2018, 2019 and 2020, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to US\$52,000, Nil and Nil. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2018, 2019 and 2020, the bank balances of US\$64,000, US\$64,000 and US\$17,000 were restricted from being used.

*(c) Bank deposits and bank and cash balances*

The carrying amounts of the Group's bank deposits and bank and cash balances are denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
US\$	2,918	9,729	20,104
HK\$	2,385	1,955	3,357
WON	4,475	5,563	6,305
JPY	345	296	784
RMB	240	81	90
GBP	56	42	47
EUR	101	84	111
Others	174	155	131
	<u>10,694</u>	<u>17,905</u>	<u>30,929</u>

**The Company**

The carrying amounts of the Company's bank and cash balances are denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
HK\$	199	132	384
US\$	<u>–</u>	<u>–</u>	<u>2,788</u>
	<u>199</u>	<u>132</u>	<u>3,172</u>

## 24. TRADE AND OTHER PAYABLES AND ACCRUALS

## The Group

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Trade payables	3,238	3,817	8,543
Other payables – indirect tax payables	–	2,444	1,753
Accruals			
Accrued listing expenses	–	–	1,020
Accrued staff costs	1,106	682	1,904
Accrued selling expenses	442	666	957
Accrued administrative expenses	275	289	712
	<u>1,823</u>	<u>1,637</u>	<u>4,593</u>
	<u>5,061</u>	<u>7,898</u>	<u>14,889</u>

The aging analysis of the Group's trade payables, based on the invoice date, is as follows:

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
0 to 30 days	2,785	2,889	7,523
31 to 60 days	426	828	993
61 to 90 days	25	2	24
Over 90 days	2	98	3
	<u>3,238</u>	<u>3,817</u>	<u>8,543</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
US\$	–*	40	9
HK\$	2,105	3,152	8,185
WON	764	371	158
JPY	79	77	80
RMB	251	142	71
Others	39	35	40
	<u>3,238</u>	<u>3,817</u>	<u>8,543</u>

\* less than US\$1,000

**The Company**

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Accruals			
Accrued listing expenses	–	–	1,020
Accrued staff costs	598	302	847
Accrued administrative expenses	<u>35</u>	<u>41</u>	<u>255</u>
	<u>633</u>	<u>343</u>	<u>2,122</u>

**25. CONTRACT LIABILITIES****The Group**

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Advance payments from customers	4,323	5,812	8,436
Deferred revenue for customer loyalty programme	<u>1,566</u>	<u>1,885</u>	<u>–</u>
	<u>5,889</u>	<u>7,697</u>	<u>8,436</u>

Contract liabilities mainly relating to the sales of merchandise and shipping revenue are advance payments from customers.

Contract liabilities relating to deferred revenue for loyalty programme are a portion of the transaction price allocated to the memberships based on the relative stand-alone selling price.

There were no significant changes in the contract liabilities balances during the Track Record Period.

Movements in contract liabilities:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the year	4,072	5,889	7,697
Decrease in contract liabilities as result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(2,679)	(3,350)	(5,761)
Increase in contract liabilities as a result of advance payments from customers and deferred revenue for loyalty programme	<u>4,496</u>	<u>5,158</u>	<u>6,500</u>
At the end of the year	<u>5,889</u>	<u>7,697</u>	<u>8,436</u>

## 26. PROVISIONS

## The Group

	Sale return <i>US\$'000</i>	Employee benefits <i>US\$'000</i>	Reinstatement costs <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2018	77	233	–	310
Additional provisions during the year	87	171	–	258
Provisions used during the year	(28)	(113)	–	(141)
Unused provisions reversed	(49)	–	–	(49)
Exchange difference	–	(6)	–	(6)
At 31 December 2018 and 1 January 2019	87	285	–	372
Additional provisions during the year	98	198	121	417
Provisions used during the year	(73)	(127)	–	(200)
Unused provisions reversed	(14)	–	–	(14)
Interest expense	–	–	9	9
Exchange difference	–	(6)	–*	(6)
At 31 December 2019 and 1 January 2020	98	350	130	578
Additional provisions during the year	184	322	380	886
Provisions used during the year	(52)	(157)	–	(209)
Payment of provisions during the year	–	–	(10)	(10)
Unused provisions reversed	(46)	–	(10)	(56)
Interest expense	–	–	10	10
Exchange difference	–	19	3	22
At 31 December 2020	<u>184</u>	<u>534</u>	<u>503</u>	<u>1,221</u>

\* *Less than US\$1,000*

	As at 31 December		
	2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>
Analysed as:			
Current liabilities	372	547	718
Non-current liabilities	–	31	503
	<u>372</u>	<u>578</u>	<u>1,221</u>

## The Company

	<b>Employee benefits</b> <i>US\$'000</i>
At 1 January 2018	37
Additional provisions during the year	50
Provisions used during the year	<u>(37)</u>
At 31 December 2018 and 1 January 2019	50
Additional provisions during the year	64
Provisions used during the year	<u>(50)</u>
At 31 December 2019 and 1 January 2020	64
Additional provisions during the year	112
Provisions used during the year	<u>(64)</u>
At 31 December 2020	<u><u>112</u></u>

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Analysed as:			
Current liabilities	50	64	112
Non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>50</u></u>	<u><u>64</u></u>	<u><u>112</u></u>

## 27. LEASE LIABILITIES (2018: FINANCE LEASE PAYABLES)

## The Group

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Leased properties	–	2,275	13,768
Office equipment	190	169	205
Motor vehicles	<u>27</u>	<u>18</u>	<u>7</u>
	<u><u>217</u></u>	<u><u>2,462</u></u>	<u><u>13,980</u></u>

	<b>Minimum lease payments</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	58	1,502	4,082
In the second year	58	905	3,349
In the third to fifth years, inclusive	117	144	5,281
Over five years	—	—	2,072
	233	2,551	14,784
Less: Future finance charges	(16)	(89)	(804)
Present value of lease obligations	<u>217</u>	<u>2,462</u>	<u>13,980</u>
	<b>Present value of minimum lease payments</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	52	1,439	3,758
In the second year	53	883	3,128
In the third to fifth years, inclusive	112	140	5,050
Over five years	—	—	2,044
Present value of lease obligations	217	2,462	13,980
Less: Amount due for settlement within 12 months (shown under current liabilities)	(52)	(1,439)	(3,758)
Amount due for settlement after 12 months	<u>165</u>	<u>1,023</u>	<u>10,222</u>

It is the Group's policy to lease certain of its office equipment and motor vehicles under finance leases. The average lease term is 5 years.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

The incremental borrowing rates applied to lease liabilities (2018: finance lease payables) during the Track Record Period are ranged in the following percentages:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Lease liabilities (2018: finance lease payables)	1.41% to 3.92%	1.41% to 6.58%	1.41% to 7.50%

The carrying amounts of the Group's lease liabilities (2018: finance lease payables) are denominated in the following currencies:

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
HK\$	208	2,436	13,780
WON	–	12	100
JPY	9	14	100
	<u>217</u>	<u>2,462</u>	<u>13,980</u>

## 28. BANK BORROWING

### The Group

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Bank loan	<u>–</u>	<u>620</u>	<u>493</u>

The bank borrowing is repayable as follows:

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Within one year	–	125	131
More than one year, but not exceeding two years	–	129	134
More than two years, but not more than five years	<u>–</u>	<u>366</u>	<u>228</u>
	–	620	493
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>–</u>	<u>(620)</u>	<u>(493)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>	<u>–</u>

The carrying amounts of the Group's bank borrowing are denominated in US\$.

The interest rate of the Group's borrowing was as follows:

	As at 31 December		
	2018	2019	2020
Bank loan	N/A	3.21%	1.65%

Bank loan is arranged at one month LIBOR plus 1.5% per annum, thus exposing the Group to cash flow interest rate risk; and is secured by legal charge on life insurance policy (Note 20), pledged bank deposits (Note 23(a)(i)), corporate guarantee provided by the Company and personal guarantee executed by a director of the Company.

The bank loan as at 31 December 2020 has been fully repaid on 9 February 2021 and all pledged assets and guarantees executed as mentioned above have been fully released in March 2021.

## 29. DEFERRED TAX ASSETS

### The Group

	<b>Tax losses</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the year	10	–	–
Charge to profit or loss for the year ( <i>Note 12</i> )	(10)	–	–
At the end of the year	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2018, 2019 and 2020, the Group has unutilised tax losses of US\$2,142,000, US\$941,000 and US\$1,183,000 available for offset against future profits. No deferred tax asset has been recognised due to these unused tax losses were generated from subsidiaries which have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2018, 2019 and 2020, the Group's tax losses will expire in the following years:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
On 31 December 2021	373	–	–
On 31 December 2022	577	–	–
On 31 December 2023	382	85	90
On 31 December 2024	287	291	307
On 31 December 2025	139	141	149
On 31 December 2026	181	184	193
On 31 December 2027	168	171	180
On 31 December 2030	–	–	75
	2,107	872	994
No expiry date	35	69	189
	<u>2,142</u>	<u>941</u>	<u>1,183</u>

## 30. SHARE CAPITAL

	Ordinary shares		Series A preferred shares		Series B preferred shares		Series C preferred shares		Total amount US\$'000
	Number of shares	Amount US\$'000	Number of shares	Amount US\$'000	Number of shares	Amount US\$'000	Number of shares	Amount US\$'000	
<b>Issued and fully paid</b>									
At 1 January 2018	15,406,021	181	1,058,424	11	5,295,732	53	3,442,611	2,039	2,284
Issuance of shares under share option scheme	141,586	121	–	–	–	–	–	–	121
Repurchase of shares	(141,586)	(170)	–	–	–	–	–	–	(170)
At 31 December 2018 and 1 January 2019	15,406,021	132	1,058,424	11	5,295,732	53	3,442,611	2,039	2,235
Issuance of shares under share option scheme	1,267,287	860	–	–	–	–	–	–	860
Repurchase of shares	(296,187)	(458)	–	–	–	–	–	–	(458)
At 31 December 2019 and 1 January 2020	16,377,121	534	1,058,424	11	5,295,732	53	3,442,611	2,039	2,637
Issuance of shares under share option scheme	943,275	701	–	–	–	–	–	–	701
Repurchase of shares	(886,639)	(877)	(10,019)	–*	(130,995)	(1)	(60,982)	(150)	(1,028)
At 31 December 2020	<u>16,433,757</u>	<u>358</u>	<u>1,048,405</u>	<u>11</u>	<u>5,164,737</u>	<u>52</u>	<u>3,381,629</u>	<u>1,889</u>	<u>2,310</u>

\* Less than US\$1,000

**Ordinary shares**

Subject to the prior rights of holders of all classes of share at the time outstanding having prior rights as to dividends, the holders of ordinary share are entitled to receive dividends, when and as declared by the board of directors of the Company from time to time and are entitled to one vote per share at meetings of the Company.

During the Track Record Period, 141,586, 1,267,287 and 943,275 ordinary shares of the Company were issued under share option scheme. The net proceeds of US\$86,000, US\$653,000 and US\$517,000 were credited to share capital, respectively.

During the Track Record Period, the Company repurchased 141,586, 296,187 and 886,639 ordinary shares for a total consideration of US\$170,000, US\$458,000 and US\$1,782,000, respectively.

**Series A preferred shares**

The Company has an authorised share capital of 1,100,000 Series A preferred shares (“Series A Shares”) with par value of US\$0.01 per share. 1,060,000 Series A Shares issued and 1,048,405 Series A Shares outstanding as at 31 December 2020.

Each Series A Share is convertible, at any time, and from time to time, any or full into fully paid and non-assessable shares of ordinary share. All Series A Shares are also automatically converted into shares of ordinary shares at the applicable conversion ratio immediately upon the closing of the Company’s issue of its ordinary share in a qualified public offering as specified in the Memorandum and Articles of Association of the Company (“the Articles”).

The holders of the Series A Shares are entitled to receive, any dividend or distribution when, as and if declared by the board of directors of the Company, in preference to the holders of ordinary share. For so long as the number of outstanding shares of Series A Share (prior to conversion into ordinary share or retirement) represents 7.5% or more of the outstanding voting capital share of the Company, the holders of the Series A Shares are entitled to vote as a separate class, to elect one director. In the event of liquidation, dissolution or winding up of the Company (collectively known as "Liquidation Event"), each holder of Series A Shares is entitled to receive, after the distribution to the holders of Series B and Series C Shares, but prior to any distribution to the holders of ordinary shares, out of the funds and assets that may be legally distributed to the Company's shareholders (the "Available Funds and Assets"), an amount as specified in the Articles plus all declared and unpaid dividends.

During the Track Record Period, the Company repurchased none, none and 10,019 Series A Shares for a total consideration of nil, nil and US\$46,000 respectively.

**Series B preferred shares**

The Company has an authorised share capital of 5,600,000 Series B preferred shares ("Series B Shares") with par value of US\$0.01 per share. 5,460,978 Series B Shares issued and 5,164,737 Series B Shares outstanding as at 31 December 2020.

Each Series B Share is convertible, at any time, and from time to time, any or full into fully paid and non-assessable shares of ordinary share. All Series B Shares are also automatically converted into shares of ordinary shares at the applicable conversion ratio immediately upon the closing of the Company's issue of its ordinary share in a qualified public offering as specified in the Articles.

The holders of the Series B Shares are entitled to receive, any dividend or distribution when, as and if declared by the board of directors of the Company, in preference to the holders of ordinary share. For so long as at least 150,000 shares of the Series B Share remains outstanding, the holders of the Series B Shares are entitled to vote as a separate class, to elect three directors. For so long as at least 150,000 shares of the Series B Share remains outstanding, the holders of the Series B Shares and the ordinary share, are entitled to vote as a single class, to elect one independent or outside director. Upon the Liquidation Event, each holder of Series B and Series C Shares is entitled to receive, in preference to holders of Series A Shares and ordinary shares, out of the Available Funds and Assets, an amount as specified in the Articles plus all declared and unpaid dividends.

During the Track Record Period, the Company repurchased none, none and 130,995 Series B Shares for a total consideration of nil, nil and US\$759,000 respectively.

**Series C preferred shares**

The Company has an authorised share capital of 4,000,000 Series C preferred shares ("Series C Shares") with par value of US\$0.01 per share. 3,566,334 Series C Shares issued and 3,381,629 Series C Shares outstanding as at 31 December 2020.

Each Series C Share is convertible, at any time, and from time to time, any or full into fully paid and non-assessable shares of ordinary share. All Series C Shares are also automatically converted into shares of ordinary shares at the applicable conversion ratio immediately upon the closing of the Company's issue of its ordinary share in a qualified public offering as specified in the Articles.

The holders of the Series C Shares are entitled to receive, any dividend or distribution when, as and if declared by the board of directors of the Company, in preference to the holders of ordinary share. For so long as at least 100,000 shares of the Series C Share remains outstanding, the holders of the Series C Shares are entitled to vote as a separate class, to elect one director. Upon the Liquidation Event, each holder of Series B and Series C Shares is entitled to receive, in preference to holders of Series A Shares and ordinary shares, out of the Available Funds and Assets, an amount as specified in the Articles plus all declared and unpaid dividends.

During the Track Record Period, the Company repurchased none, none and 60,982 Series C Shares for a total consideration of nil, nil and US\$150,000 respectively.

The preferred shares A, B and C above are classified as equity as they are non-redeemable and dividend payments are discretionary.

On 9 June 2021, the Company underwent the share subdivision whereby each issued and unissued share in the Company's share capital was subdivided into 10 shares ("Share Subdivision"), such that immediately following such Share Subdivision and excluding the effect of issuance of shares as a result of share options exercised after the Track Record Period, the Company's share capital was US\$2,310,000 divided into (i) 164,337,570 ordinary shares; (ii) 10,484,050 Series A preferred shares; (iii) 51,647,370 Series B preferred shares; and (iv) 33,816,290 Series C preferred shares.

As a result of the Share Subdivision, the existing conversion price for each series of the Series A to C preferred shares will be adjusted proportionately.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the members through the optimisation of the debt and equity balance. Capital comprises all components of equity (i.e. share capital and reserves). As at 31 December 2018, 2019 and 2020, total equity of US\$8,799,000, US\$12,809,000 and US\$22,454,000 was managed by the Group as capital. The Group's overall strategy remains unchanged during the Track record Period.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, buy-back shares, raise new debts, redeemed existing debts or sell assets to reduce debts.

The externally imposed capital requirements for the Group are to meet certain financial covenants attached to banking facilities granted. There have been no breaches in the financial covenants of any of these banking facilities during the years ended 31 December 2018, 2019 and 2020.

## 31. RESERVES

## (a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

## (b) The Company

	Share-based payments reserve <i>US\$'000</i>	Capital reserve <i>US\$'000</i> <i>Note</i> <i>31(c)(ii)</i>	Retained earnings/ (accumulated losses) <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2018	1,100	966	(5,177)	(3,111)
Profit for the year	–	–	171	171
Issue of shares under share option schemes	(35)	–	–	(35)
Recognition of share-based payments <i>(Note 32)</i>	<u>222</u>	<u>–</u>	<u>–</u>	<u>222</u>
At 31 December 2018	<u>1,287</u>	<u>966</u>	<u>(5,006)</u>	<u>(2,753)</u>
At 1 January 2019	1,287	966	(5,006)	(2,753)
Profit for the year	–	–	159	159
Issue of shares under share option schemes	(207)	–	–	(207)
Recognition of share-based payments <i>(Note 32)</i>	<u>501</u>	<u>–</u>	<u>–</u>	<u>501</u>
At 31 December 2019	<u>1,581</u>	<u>966</u>	<u>(4,847)</u>	<u>(2,300)</u>
At 1 January 2020	1,581	966	(4,847)	(2,300)
Profit for the year	–	–	5,802	5,802
Issue of shares under share option schemes	(184)	–	–	(184)
Recognition of share-based payments <i>(Note 32)</i>	501	–	–	501
Repurchase of shares	<u>–</u>	<u>(966)</u>	<u>(743)</u>	<u>(1,709)</u>
At 31 December 2020	<u>1,898</u>	<u>–</u>	<u>212</u>	<u>2,110</u>

**(c) Nature and purpose of reserves****(i) Share-based payments reserve**

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 4(n) to the Historical Financial Information.

**(ii) Capital reserve**

The capital reserve of the Group represents the interest contributed by holders of Series B preferred shares to YesAsia.com, Inc., the then holding company of the Group.

The capital reserve of the Company represents the difference between the costs of investments in subsidiaries, assets and liabilities acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

In 2020, the board of directors of the Company had approved and special resolutions were duly passed at the annual general meeting of the shareholders of the Company in respect of the repurchase of shares by the Company. For the purpose of the repurchase of shares in 2020, payment of US\$966,000 was made out of capital reserve.

**(iii) Merger reserve**

The merger reserve of the Group represents the difference between the nominal value of shares of YesAsia.com, Inc. acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

**(iv) Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(b)(iii) to the Historical Financial Information.

**32. SHARE-BASED PAYMENTS****2005 Share Option Plan**

In 1999, the Board of Directors of YesAsia.com, Inc., the holding company of the Group, approved the adoption of YesAsia.com, Inc.'s 1999 Share Option Plan (the "1999 Plan") for the benefit of employees, directors, advisors and consultants. The 1999 Plan provides for the grant of options to purchase of ordinary shares.

Pursuant to the group restructuring underwent by the Group in 2005 (“the Reorganisation”), the share option plan was transferred from YesAsia.com, Inc. to the Company (the “2005 Plan”). Terms of the 2005 Plan were generally unchanged from the 1999 Plan, except that, upon exercise of the options, ordinary shares of the Company will be issued. The 2005 Plan was amended in 2010 to remove certain terms that were specific to US law, relating to option grants to holders of ten percent or more of shares. Options previously granted to the Company’s director, Mr. Lau Kwok Chu, were thereupon amended to (i) reduce the exercise price from US\$0.55 to US\$0.50 and (ii) increase the exercise period from five years to ten years, in conformance with the 2005 Plan as so amended. The 2005 Plan was further amended in 2018 to allow transfer of share options by grantees under certain circumstances subject to approval by the Board of Directors.

Options granted generally vest over four years and expire ten years after the date of grant, except the options granted in 2015, which vest immediately after the date of grant and expire on 31 July 2020. The number of ordinary shares authorised for issuance under the 2005 Plan is 4,576,298.

The 2005 Plan was expired on 2 June 2015 such that no further option can be granted under the 2005 Plan, but all options granted previously will remain exercisable in accordance with the terms of the 2005 Plan and the relevant stock option agreements entered with the respective grantees.

As at 31 December 2018, 2019 and 2020, details of the specific categories of options outstanding under the 2005 Plan are as follows:

	Grant date	Expiry date	Exercise price US\$	As at 31 December		
				No. of options outstanding 2018	No. of options outstanding 2019	No. of options outstanding 2020
Directors	29 July 2010	28 July 2020	0.50	180,000	–	–
	25 July 2013	25 July 2023	0.50	180,000	130,000	10,000
	15 May 2015	31 July 2020	0.50	1,073,000	293,000	–
Employees	24 May 2012	24 May 2022	0.50	167,000	117,000	75,000
	25 July 2013	25 July 2023	0.50	–	50,000	90,000
	15 May 2015	31 July 2020	0.50	544,400	373,800	–
Consultants	29 October 2009	29 October 2019	0.50	30,000	–	–
	28 January 2010	28 January 2020	0.50	3,000	–	–
	25 October 2012	25 October 2022	0.50	10,000	10,000	10,000
	15 May 2015	31 July 2020	0.50	<u>66,000</u>	<u>66,000</u>	–
Total for 2005 Share Option Plan				<u>2,253,400</u>	<u>1,039,800</u>	<u>185,000</u>

Options are forfeited if the directors, employees and/or consultant leave the Group.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

**2016 Share Option Plan**

On 30 June 2016, the shareholders of the Company approved the adoption of a new share option plan (the "2016 Plan"). The 2016 Plan will expire on 30 June 2026. Under the 2016 Plan, the Company may grant options to directors and employees to purchase ordinary shares of the Company. Options granted generally vest over four years and expire ten years after the date of grant. The number of ordinary shares authorised for issuance under the 2016 Plan was originally 1,600,000. The 2016 Plan was amended in 2018 to increase the number of ordinary shares authorised for issuance under the 2016 Plan to 3,100,000 and further amended in June 2020 to increase the number to 4,600,000.

As at 31 December 2018, 2019 and 2020, details of the specific categories of options outstanding under the 2016 Plan are as follows:

	Grant date	Expiry date	Exercise price US\$	As at 31 December		
				No. of options outstanding 2018	No. of options outstanding 2019	No. of options outstanding 2020
Directors	28 July 2016	28 July 2026	0.80	256,000	256,000	240,000
	15 August 2019	15 August 2029	1.55	–	180,000	180,000
Employees	28 July 2016	28 July 2026	0.80	1,003,914	957,539	880,064
	26 January 2017	26 January 2027	0.80	40,000	36,250	18,125
	27 April 2017	27 April 2027	0.80	10,000	10,000	10,000
	10 August 2017	10 August 2027	0.80	10,000	10,000	10,000
	27 April 2018	27 April 2028	1.20	180,000	169,375	156,875
	26 July 2018	26 July 2028	1.20	220,000	220,000	220,000
	24 January 2019	24 January 2029	1.20	–	190,000	180,000
	25 April 2019	25 April 2029	1.55	–	119,000	116,000
	15 August 2019	15 August 2029	1.55	–	170,000	70,000
	6 February 2020	6 February 2030	1.55	–	–	240,000
	23 April 2020	23 April 2030	2.01	–	–	270,000
30 July 2020	30 July 2030	2.01	–	–	50,000	
29 October 2020	29 October 2030	2.01	–	–	240,000	
Total for 2016 Share Option Plan				<u>1,719,914</u>	<u>2,318,164</u>	<u>2,881,064</u>

Options are forfeited if the directors and/or employees leave the Group.

Details of the movement of share options during the year are as follows:

	2018		At 31 December 2019		2020	
	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$
Outstanding at 1 January	3,758,200	0.62	3,973,314	0.68	3,357,964	0.89
Granted during the year	400,000	1.20	680,000	1.45	801,000	1.88
Exercised during the year	(141,586)	0.61	(1,267,287)	0.52	(943,275)	0.55
Expired during the year	(33,000)	0.50	–	–	(35,500)	0.50
Forfeited during the year	(10,300)	0.80	(28,063)	1.24	(114,125)	1.50
Outstanding at end of year	<u>3,973,314</u>	0.68	<u>3,357,964</u>	0.89	<u>3,066,064</u>	1.23
Exercisable at end of year	<u>2,986,477</u>	0.58	<u>2,194,863</u>	0.69	<u>1,581,103</u>	0.90

The options outstanding at the end of the reporting periods have a weighted average remaining contractual life of 4.59 years, 5.74 years and 7.11 years as at 31 December 2018, 2019 and 2020 respectively.

The exercise price is as follows:

31 December 2018	Either US\$0.50, US\$0.80 or US\$1.20
31 December 2019	Either US\$0.50, US\$0.80, US\$1.20 or US\$1.55
31 December 2020	Either US\$0.50, US\$0.80, US\$1.20, US\$1.55 or US\$2.01

In 2018, 180,000 and 220,000 options were granted under the 2016 Plan on 27 April 2018 and 26 July 2018 respectively and the estimated fair value of these options on this date was US\$344,000. In year 2019, 200,000, 130,000 and 350,000 options were granted under the 2016 Plan on 24 January 2019, 25 April 2019 and 15 August 2019 respectively and the estimated fair value of these options on this date was US\$634,000. In 2020, 240,000, 271,000, 50,000 and 240,000 options were granted under the 2016 plan on 6 February 2020, 23 April 2020, 30 July 2020 and 29 October 2020 respectively and the total estimated fair value of these options on the date of grant was US\$1,067,300.

The fair value was calculated using the Binomial Option pricing model. The inputs into the model are as follows:

**For the year ended 31 December 2018**

	Share option granted on	
	27 April 2018	26 July 2018
Share price	US\$1.592	US\$1.592
Exercise price	US\$1.200	US\$1.200
Expected volatility	47.48%	45.71%
Expected life	10 years	10 years
Risk free rate	2.99%	3.03%
Expected dividend yield	0%	0%

**For the year ended 31 December 2019**

	Share option granted on		
	24 January 2019	25 April 2019	15 August 2019
Share price	US\$1.671	US\$1.707	US\$1.918
Exercise price	US\$1.200	US\$1.550	US\$1.550
Expected volatility	46.24%	46.31%	47.02%
Expected life	10 years	10 years	10 years
Risk free rate	2.75%	2.52%	1.41%
Expected dividend yield	0%	0%	0%

For the year ended 31 December 2020

	Share option granted on			
	6 February 2020	23 April 2020	30 July 2020	29 October 2020
Share price	US\$2.016	US\$2.289	US\$2.218	US\$2.701
Exercise price	US\$1.550	US\$2.010	US\$2.010	US\$2.010
Expected volatility	46.58%	49.15%	51.25%	51.27%
Expected life	10 years	10 years	10 years	10 years
Risk free rate	1.37%	0.54%	0.25%	0.49%
Expected dividend yield	0%	0%	0%	0%

Average of industry annualised historical share price volatility is deemed to be the expected volatility of the share price of the Company. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recorded total expenses of US\$222,000, US\$501,000 and US\$501,000 respectively in respect of the 2016 Plan during the Track Record Period.

Following to the Share Subdivision which took effect on 9 June 2021 as mentioned in Note 30 to the Historical Financial Information, each grantee shall receive 10 option shares for each outstanding share option exercised.

### 33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	As at		Non-cash changes				As at
	1 January 2018	Net cash flows	Interest expenses	Addition of property, plant and equipment	Exchange difference	Remeasurement upon modification	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease payables (Note 27)	190	(59)	6	198	—*	(118)	217

	Impact on		Non-cash changes				As at	
	As at 1 January 2019	initial application of HKFRS 16 (Note 3)	Restated balance at 1 January 2019	Interest expenses	Addition of right-of-use assets	Exchange difference		Remeasurement upon modification
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Bank borrowing (Note 28)	—	—	—	612	8	—	—	620
Finance lease payables (Note 27)	217	(217)	—	—	—	—	—	—
Lease liabilities (Note 27)	—	2,941	2,941	(1,671)	121	1,251	(3)	(177)
	217	2,724	2,941	(1,059)	129	1,251	(3)	(177)

	As at 1 January 2020 US\$'000	Net cash flows US\$'000	Non-cash changes			Remeasurement upon modification US\$'000	As at 31 December 2020 US\$'000
			Interest expenses US\$'000	Addition of right-of-use assets US\$'000	Exchange difference US\$'000		
Bank borrowing (Note 28)	620	(139)	12	–	–	–	493
Lease liabilities (Note 27)	2,462	(2,924)	314	15,282	10	(1,164)	13,980
	<u>3,082</u>	<u>(3,063)</u>	<u>326</u>	<u>15,282</u>	<u>10</u>	<u>(1,164)</u>	<u>14,473</u>

\* Less than US\$1,000

**(b) Total cash outflow for leases**

Amounts included in the cash flow statements for leases comprise the following:

	Year ended 31 December		
	2018 US\$'000	2019 US\$'000	2020 US\$'000
Within operating cash flows	1,251	171	343
Within financing cash flows	<u>53</u>	<u>1,550</u>	<u>2,610</u>
	<u>1,304</u>	<u>1,721</u>	<u>2,953</u>

These amounts relate to the following:

	Year ended 31 December		
	2018 US\$'000	2019 US\$'000	2020 US\$'000
Lease rental paid	1,245	50	29
Payments for principal elements of leases	–	1,550	2,610
Payments for interest of leases	–	121	314
Payments of finance lease payables	<u>59</u>	<u>–</u>	<u>–</u>
	<u>1,304</u>	<u>1,721</u>	<u>2,953</u>

**(c) Major non-cash transaction**

During the Track Record Period, the Group entered into new lease agreements for the use of leased properties and motor vehicles for nil, 1.3 years to 5 years and 2 years to 6 years respectively. On the leases commencement, the Group recognised right-of-use assets and lease liabilities of nil, US\$1,251,000 and US\$15,282,000 respectively.

**34. OPERATING LEASE ARRANGEMENTS**

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note (a)</i>		<i>Note (b)</i>
Within one year	1,028	–	29
In the second to fifth years, inclusive	<u>484</u>	<u>–</u>	<u>–</u>
	<u><u>1,512</u></u>	<u><u>–</u></u>	<u><u>29</u></u>

*Notes:*

- (a) Operating lease payments represent rentals payable by the Group for certain of its offices, warehouses and car parking spaces. Leases are negotiated for terms ranging from 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.
- (b) During the year ended 31 December 2020, the Group entered into a short-term lease for an equipment and the outstanding lease commitments relating to this equipment is US\$29,000 (2018 and 2019: Nil).

During the year ended 31 December 2020, the Group also entered into a new lease for office that is not yet commenced, with non-cancellable period of 23.5 months with extension option of 3 years. The total future undiscounted cash flows over the non-cancellable period amounted to US\$908,000 (2018 and 2019: Nil).

**35. INVESTMENTS IN SUBSIDIARIES**

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Unlisted investments, at cost	<u>401</u>	<u>401</u>	<u>391</u>
Amounts due from subsidiaries	<u>–</u>	<u>446</u>	<u>3,085</u>
Amount due to a subsidiary	<u>(312)</u>	<u>–</u>	<u>–</u>

As at 31 December 2018, 2019 and 2020, the amounts due from/(to) subsidiaries are unsecured, interest free and repayment on demand.

Particulars of the Company's subsidiaries as at the end of each Track Recording Period are as follows:

Name	Place and date of incorporation	Issued and fully paid up capital	Equity interest of the Group as at	Principal activities	Note
<b>Direct held</b>					
Rosary Health Limited	Hong Kong 8 May 2019	HK\$1	100%	Trading of health products	(a)
YesAsia Trading (Hong Kong) Limited	Hong Kong 13 October 2005	HK\$1	100%	Trading of beauty products	(b)
YesAsia.com.Japan Kabushiki Kaisha ( <i>iesu asia dotto comu japan kabushiki kaisha</i> )	Japan 24 December 1999	JPY10,000,000	100%	Trading of entertainment products, fashion wears and accessories	(c)
YesAsia.com Limited	Hong Kong 7 December 1998	HK\$39,000,002	100%	Trading of entertainment products and investment holding	(b)
YesStyle.com Limited	Hong Kong 13 April 2006	HK\$1	100%	Trading of fashion wears, cosmetics and accessories	(b)
<b>Indirect held</b>					
YAKR	South Korea 12 July 2002	WON50,000,000	100%	Trading of entertainment products, beauty products and fashion wears and accessories	(c)

*Notes:*

- (a) The statutory financial statements for the period from 8 May 2019 (date of incorporation) to 31 December 2019 was prepared in accordance with HKFRSs issued by the HKICPA, and was audited by RSM Hong Kong.
- (b) The statutory financial statements for the year ended 31 December 2018 and 2019 were prepared in accordance with HKFRSs issued by the HKICPA, and were audited by RSM Hong Kong.
- (c) No audited financial statements were issued for these companies as there are no statutory requirement in their places of incorporation.

**36. RELATED PARTY TRANSACTIONS**

- (a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Customer relationship management and contact centre service fees to HKT Teleservices International Limited ("HKT") (Note i)	(85)	(283)	(367)
Return merchandise authorisation service fee to Ms. Chu Po King (Note ii)	(2)	(3)	(2)
Services income from 小蜜蜂(台山)制衣有限公司 (Note iii)	<u>11</u>	<u>-</u>	<u>-</u>

Notes:

- (i) HKT is a fellow subsidiary of a shareholder of the Company.
- (ii) Ms. Chu Po King is a sister of a director and shareholder of the Company.
- (iii) 小蜜蜂(台山)制衣有限公司 is beneficially owned by Mr. Lau Wai Ho, father of a director and shareholder of the Company.
- (b) The Company received management fees of US\$6,033,000, US\$7,188,000 and US\$9,288,000 during the Track Record Period from its subsidiaries.
- (c) The Company paid management fee of US\$10,000, US\$14,000 and US\$18,000 during the Track Record Period to a subsidiary.

**37. CAPITAL COMMITMENTS**

Capital commitments contracted for at the end of the Track Record Period but not yet incurred are as follows:

	As at 31 December		
	2018	2019	2020
	US\$'000	US\$'000	US\$'000
Property, plant and equipment	<u>-</u>	<u>-</u>	<u>72</u>

**38. CONTINGENT LIABILITIES**

At 31 December 2018, 2019 and 2020, the Group had contingent liabilities in respect of letter of guarantees issued to a payment gateway company and suppliers of approximately US\$94,000, US\$77,000 and US\$80,000 respectively. The letter of guarantees issued by banks were secured by pledged motor vehicles (Notes 18 and 19), pledged bank deposits (Note 23) and a letter of indemnity executed by a director of the Company. The letter of indemnity will be discharged upon or before Listing.

Apart from above, the Group and the Company do not have other material contingent liabilities as at 31 December 2018, 2019 and 2020.

**39. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2020, save as disclosed elsewhere in the Historical Financial Information and the outbreak of Coronavirus Disease 2019 ("COVID-19"), the share subdivision and share options exercised as more details stated below, there are no material subsequent events undertaken by the Company or the subsidiaries of the Group.

- (i) The outbreak of COVID-19 has materially affected the global economy. It has also created challenges across the industry as a result of disruptions in business operations and logistics arrangements due to unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns which have been re-implemented by the local governments during and subsequent to the Track Record Period. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date this report, the Group was not aware of any material adverse impact on the Group's business, results of operations and financial condition.
- (ii) On 9 June 2021, the Company underwent a share subdivision whereby each issued and unissued share in the Company's share capital shall be subdivided into 10 shares. Further details are set in Note 30 to the Historical Financial Information.
- (iii) Subsequent to the Track Record Period, 1,552,796 ordinary shares of the Company were issued under the share option schemes with net proceeds of US\$1,419,000 were credited to share capital of the Company.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Global Offering and to illustrate the performance of the Group had the Global Offering been completed on 31 December 2020.

**A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the net tangible assets attributable to owners of the Company had it occurred as at 31 December 2020. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	<b>Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2020<sup>(1)</sup> US\$'000</b>	<b>Estimated net proceeds from the Global Offering<sup>(2)</sup> US\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets US\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(4)</sup></b>
Based on the minimum Offer Price of HK\$3.00 per Share	<u>22,454</u>	<u>13,574</u>	<u>36,028</u>	US\$0.095 (Equivalent to approximately <u>HK\$0.736</u> )
Based on the maximum Offer Price of HK\$3.33 per Share	<u>22,454</u>	<u>15,207</u>	<u>37,661</u>	US\$0.099 (Equivalent to approximately <u>HK\$0.767</u> )

*Notes:*

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2020 is approximately US\$22,454,000, as shown in the Accountant's Report, the text of which is set out in Appendix I to the Prospectus.

- (2) The estimated net proceeds from the Global Offering are based on 39,540,000 Shares to be issued at the minimum Offer Price of HK\$3.00 per Share or the maximum Offer Price of HK\$3.33 per Share, respectively, net of underwriting fee and other estimated issue expenses (taking into account the effect of listing expenses which have been accounted for prior to 31 December 2020) of approximately US\$13,574,000 and US\$15,207,000, respectively, and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 379,862,830 Shares (including the completion of the conversion of the preferred shares into ordinary shares upon Listing) were in issue as set out in the section headed “Share Capital” of this Prospectus assuming the Global Offering has been completed on 31 December 2020 but takes no account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares as described in “Appendix IV — Statutory and General Information” in this Prospectus. The difference between the total number of issued shares disclosed on in the section headed “Share Capital” of this Prospectus (395,390,790) and that in this appendix (379,862,830) was due to the Company’s shares allotment and issuance conducted as a result of the exercise of outstanding Pre-IPO share options subsequent to 31 December 2020 and up to the Latest Practicable Date.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in US\$ are converted into HK\$ at a rate of US\$1 to HK\$7.75. No representation is made that US\$ amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.*



29th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

28 June 2021

The Board of Directors  
YesAsia Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of YesAsia Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 28 June 2021 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Part A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company (the “Global Offering”) on the Group’s financial position as at 31 December 2020 as if the Global Offering had been taken place on the same date. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2020 as included in the Prospectus of the Company, on which an Accountant’s Report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been

undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**RSM Hong Kong**  
*Certified Public Accountants*  
Hong Kong

*This appendix contains a summary of the Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in Appendix V of this prospectus, a copy of the Articles of Association is available for inspection.*

*The Articles of Association were adopted by our Shareholders on 13 March 2021 and became effective on Listing. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (WUMP) Ordinance and other applicable ordinances, subsidiary legislation and the Listing Rules.*

### **CHANGES IN CAPITAL**

Our Company may from time to time alter its share capital as permitted by section 170 of the Companies Ordinance. Subject to the provisions of the Companies Ordinance, our Company may from time to time by ordinary resolution:

- (a) consolidate all of its shares into smaller number of shares than its existing number;
- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, or have been forfeited in accordance with the Articles of Association; and
- (c) sub-divide its shares into larger number of shares than its existing number subject nevertheless to the provisions of the Companies Ordinance, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any restrictions as compared with the others as our Company has power to attach to the new shares.

Our Company may by special resolution reduce its share capital subject to any conditions prescribed by law.

### **BUYBACK OF OWN SHARES**

As permitted by the Companies Ordinance, the Listing Rules and such other laws or regulations as applicable to our Company, our Company may from time to time buy back its own shares or to give directly or indirectly, by means of loan, guarantee, provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

Should our Company buy back our own shares, the share buy-back shall not be required to be made ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such share buy-back or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time in force.

### **MODIFICATION OF RIGHTS**

Without prejudice to any special rights conferred on the holders of any existing shares, the shares in the original or any increased capital of our Company may, as permitted by the Companies Ordinance, be divided into different classes of shares as our Company may from time to time determine by a special resolution in a general meeting.

Any special rights (unless otherwise provided by the terms of issue) attached to the shares or any class of the shares (if the capital is divided into different classes of shares) may, subject to the provisions of section 180 of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the shares or shares of that class (if the capital is divided into different classes of shares) or with the sanction of a special resolution passed at a general meeting of the holders of the shares or at a separate general meeting of the holders of the shares of that class (if the capital is divided into different classes of shares). To every such separate general meeting the provisions of the Articles of Association relating to general meeting shall mutatis mutandis apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third of the total voting rights of holders of shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

### **CERTIFICATE OF TITLE**

Every certificate for shares or warrants or debentures or representing any other form of securities of our Company shall be issued by our Company under its seal in accordance with the Companies Ordinance, and shall specify the number and class of the shares and the identification number of the shares in respect of which they are issued and the amount paid up thereon. If at any time the capital is divided into different classes of shares, every share certificate shall contain the descriptions required under Section 179(1) to (3) of the Companies Ordinance. A share certificate shall relate to only one class of shares.

Subject to the provisions in the Companies Ordinance, if a share certificate is defaced, lost or destroyed, it may be replaced on payment of a fee of such amount of not more than the maximum amount as may from time to time be permitted under the rules prescribed by the Stock Exchange and on such terms and conditions, if any, as to publication of notices, evidence and indemnity as our Board thinks fit and in the case of wearing out or defacement, after surrender of the old share certificate. In the case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to our

Company any exceptional costs and the reasonable out-of-pocket expenses incidental to the investigation by our Company regarding the evidence of such destruction or loss and of such indemnity.

### **TRANSFERS OF SHARES**

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which our Directors approve including the standard form of transfer as prescribed by the Stock Exchange and shall be executed by or on behalf of the transferor and by or on behalf of the transferee.

The instrument of transfer of any share shall be executed by or on behalf of the transferor and by or on behalf of the transferee, or shall be executed with a manual signature or machine imprinted signature by or on behalf of the transferor or transferee in accordance with the Articles of Association. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Our Board may, in its absolute discretion without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. Our Board may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

Our Board may also decline to recognise any instrument of transfer unless:

- (a) a fee of such amount of not more than the maximum amount as may from time to time be permitted under the rules prescribed by the Stock Exchange or such lesser sum as our Board may from time to time require is paid to our Company in respect of such instrument of transfer;
- (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer;
- (c) the instrument of transfer is in respect of only one class of share;
- (d) the shares concerned are free of any lien in favour of our Company;
- (e) the instrument of transfer is properly stamped; and
- (f) the shares concerned are fully paid up.

All instruments of transfer which shall be registered may be retained by our Company, but any instrument of transfer which our Board refuses to register shall (except in any case where fraud or any other crime involving dishonesty is suspected in relation to such transfer) be returned to the person presenting it.

If our Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, our Board must within 28 days after receiving the request send the statement of the reasons or register the transfer.

No transfer of share (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

### **GENERAL MEETINGS**

Our Company must, in respect of each financial year of our Company, hold a general meeting as its annual general meeting within 6 months after the end of its accounting reference period and in accordance with section 610 of the Companies Ordinance. Subject to the Articles of Association, the annual general meeting shall be convened by our Board to be held at such time and place as it thinks fit. General meetings include other meetings of shareholders which are not annual general meetings.

Our Board may, whenever it thinks fit, convene a general meeting. If our Directors are required to call a general meeting under section 566 of the Companies Ordinance, they must call it in accordance with section 567 of the Companies Ordinance. If our Directors do not call a general meeting in accordance with section 567 of the Companies Ordinance, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting in accordance with section 568 of the Companies Ordinance.

### **NOTICE OF GENERAL MEETINGS**

An annual general meeting shall be called by at least 21 clear days' notice in writing, and all other general meetings of our Company shall be called by at least 14 clear days' notice in writing. The notice shall specify the place (if the meeting is held at two or more places, the principal place of the meeting and other place(s) of meeting), the day and the time of meeting, and shall be given, in manner hereinafter mentioned or in such other manner (if any) as may be prescribed by our Company in general meeting, to such persons as are entitled to receive such notices from our Company under the Articles of Association; however, subject to the provisions of the Companies Ordinance, a meeting of our Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles of Association, be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and
- (b) in the case of any other general meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all shareholders.

If a resolution (whether or not a special resolution) is intended to be moved at the meeting, the notice must include notice of the resolution, and include or be accompanied by a statement containing any information or explanation that is reasonably necessary to indicate the purpose of the resolution. In the case of a meeting convened for passing a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. In the case of an annual general meeting, the notice shall also specify the meeting as such.

The accidental omission to give any notice or to send any instrument of proxy to, or the non-receipt of any notice or any instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

### **VOTING AT GENERAL MEETINGS**

Subject to the rules prescribed by the Stock Exchange from time to time, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On any resolution where a vote is not required under the Companies Ordinance, the Listing Rules, the Articles of Association or such other laws or regulations as applicable to our Company, if any, to be held on a poll, a poll may be demanded before or on the declaration of the result of the show of hands:

- (a) by the chairman of the meeting (if the chairman, before or on the declaration of the result on a show of hands, knows from the proxies received by our Company that the result on a show of hands will be different from that on a poll, the chairman must demand a poll); or
- (b) by at least five shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any shareholder(s) present in person or by proxy and representing not less than 5% of the total voting rights of all the shareholders having the right to attend and vote at the meeting; or
- (d) by any shareholder(s) present in person or by proxy having the right to attend and vote at the meeting and representing one-tenth or more of the total amount of capital that have been paid up of all shareholders having the right to attend and vote at the meeting.

Subject to any special rights, privileges or restrictions as to voting for the time attached to any class or classes of shares and any restrictions provided by the Listing Rules (if any), at any general meeting on a show of hands, every shareholder who is present in person or by proxy or by representative duly authorised under section 606 of the Companies Ordinance shall have one vote. On a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up.

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Any corporation which is a shareholder of our Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any general meeting or meeting of the holders of shares of any class of our Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual shareholder.

If a clearing house (or its nominee(s)) is a shareholder of our Company, it may authorise or appoint such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting or meeting of the holders of shares of any class of our Company, provided that, if more than one person is so authorised or appointed, the authorisation or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorised or appointed. A person so authorised or appointed shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise as if such person were an individual shareholder including, where applicable, the right to vote individually on a show of hands notwithstanding any contrary provisions contained in the Articles of Association.

#### **APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS**

Our Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to our Board. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at an annual general meeting. Our Company may by ordinary resolution elect any person to be a Director.

At each annual general meeting, one-third of our Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by our Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office.

Subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the annual general meeting. Our Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The

retiring Directors shall be eligible for re-election. Our Company at any general meeting at which any Directors retire in manner aforesaid may fill the vacated office by electing the same number of persons to be Directors.

Notwithstanding the Articles of Association or any agreements entered into between our Company and our Directors may provide otherwise, a Director shall vacate his office even before the expiration of his term:

- (a) if he becomes bankrupt or has a receiving order made against him or suspends payment of debts or enters into a debt restructuring agreement with his creditors;
- (b) if he becomes a lunatic or of unsound mind or a patient for the purpose of any statute relating to mental health and our Directors resolve that his office be vacated;
- (c) if he absents himself from the meetings of our Board during a continuous period of 30 days, without any permission from our Board, and his alternate Director (if any) shall not during such period have attended in his stead, and our Board passes a resolution that he has by reason of such absence vacated his office;
- (d) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (WUMP) Ordinance or he becomes prohibited from being a Director by laws;
- (e) if by notice in writing delivered to our Company at its registered office that he resigns his office;
- (f) in the case of a Director who holds any executive office, his appointment as such is terminated or expires and our Directors resolve that his office be vacated;
- (g) if he is convicted of an indictable offence;
- (h) if he shall be removed from office by notice in writing served upon him signed by all his co-Directors; or
- (i) if he shall be removed from office by an ordinary resolution of our Company, provided that the Director shall be entitled to the rights to protest against the removal pursuant to the Companies Ordinance, including the right to be heard on the resolution at the general meeting at which the resolution relating to his removal is voted on.

### **RESOLUTION IN WRITING OF DIRECTORS**

A resolution in writing signed by all our Directors (or their respective alternate Directors as the case may be) for the time being entitled to receive notice of a meeting of our Directors or of a committee of our Directors shall be as valid and effectual as if it had been passed at a meeting of our Directors or (as the case may be) of that committee, duly convened and held, and may consist of several documents in the like form each executed by

one or more Directors, but a resolution executed by an alternate Director need not also be executed by his appointor and, if it is executed by a Director who has appointed an alternate Director, it need not also be executed by the alternate Director in that capacity. Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of meeting of our Board for the purposes of considering any matter or business in which a substantial shareholder of our Company or a Director has a conflict of interest and our Board has determined that such conflict of interest to be material.

### **QUALIFICATION OF DIRECTORS**

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meeting or meeting of the holders of shares of any class of our Company.

### **BORROWING POWERS**

Our Board may from time to time at its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum(s) of money for our Company and to mortgage or charge our Company's undertaking, property and uncalled capital or any part thereof.

### **DIRECTORS' REMUNERATION AND EXPENSES**

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. To the extent permitted by the Companies Ordinance, the Listing Rules and such other laws or regulations as applicable to our Company, the determination of our Directors' remuneration may be delegated by members of our Company to our Board (or such committee of our Board).

Our Directors shall also be entitled to be reimbursed all travelling, hotel accommodation and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Board may grant special remuneration to any Director who, at the request of our Company, shall perform any special or extra services to our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

**DIRECTORS' INTERESTS**

Subject to the Companies Ordinance and the Articles of Association, in the case where a Director or an intending Director entered into a contract with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other matter whatsoever, such contract or arrangement shall not be void as a result of his appointment as a Director nor shall any Director so contracting be liable to account to our Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of fiduciary relationship thereby established.

A Director shall not vote or be counted in the quorum on any resolution of our Board concerning his own appointment as the holder of any office with our Company or any other company in which our Company is interested (including the variation of the terms or the termination thereof).

A Director or any of his connected entities who is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement (or a proposed transaction, contract or arrangement) with our Company that is significant in relation to our Company's business shall declare the nature and extent of his interest (or the connected entity's interest, as the case may be) at the meeting of our Board at which the question of entering into the transaction, contract or arrangement is first taken into consideration, or in any other case by notice in writing and sent to other Directors, or by general notice sent to our Board or our Company, in each case in accordance with the Companies Ordinance.

Subject to the Listing Rules and save as otherwise provided by the Articles of Association, a Director and his alternate shall not vote (nor be counted in the quorum) on any resolution of our Board approving any transaction, contract or arrangement in which he or any of his close associates has directly or indirectly, material interests (other than an interest in shares, debentures or other securities of, or otherwise in or through, our Company), but this prohibition shall not apply to any of the following matters namely:

- (a) any transaction, contract or arrangement for the giving by our Company to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of them to the Company or any of its subsidiaries or in respect of any obligations undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (b) any transaction, contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether solely or jointly under a guarantee or indemnity or by giving of security;

- (c) any transaction, contract or arrangement concerning an offer for subscription or purchase of the shares or debentures or other securities of our Company or other company promoted by our Company or in which our Company has interest where the Director or his close associate(s) has or will have interest as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder of that company, or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries, including:
  - (i) the adoption, modification or operation of any employee's share scheme or any share incentive or share option scheme of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; or
  - (ii) the adoption, modification or implementation of a pension fund or retirement, death or disability benefits scheme of our Company or its subsidiaries, which relates to the Director or his close associate(s) and employees of our Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to persons to whom such arrangement or fund relates; and
- (f) any contract, transaction or arrangement in which the Director or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his or their interest in shares or debentures or other securities of our Company.

Where a company in which a Director and any of his close associates in aggregate own 5% or more (within the meaning as described above) is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

As permitted by the Companies Ordinance and the Listing Rules, in respect of any transaction, contract or arrangement between our Company and its connected person(s) (as defined in the Listing Rules), where a Director or his close associate(s) only holds office with our Company and/or any of its subsidiaries and does not have any other relationship with such connected person(s), then the Director shall not be deemed to have material interest in such transaction, contract or arrangement by virtue only of the relevant office.

**DIVIDENDS**

Our Company may by ordinary resolution declare dividends in any currency, but no dividends shall exceed the amount recommended by our Board. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of the Articles of Association as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

Our Board may from time to time pay to the shareholders such interim dividends as appear to our Board to be in the interest of our Company and, in particular if at any time the capital of our Company is divided into different classes, our Board may pay such interim dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. Provided that our Board acts *bona fide*, our Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. Our Board may also pay half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment.

With the sanction of an ordinary resolution or on the recommendation of our Board, the payment of dividend may be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of our Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash.

Our Board may, with the authority of an ordinary resolution of our Company, offer any holders of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution (a scrip dividend) in accordance with the Articles of Association. The basis of allotment shall be decided by our Board and our Board shall give notice to the holders of shares of their rights of election in respect of the scrip dividend and shall specify the procedure to be followed in order to make an election.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed, and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

**UNTRACEABLE SHAREHOLDERS**

Without prejudice to the rights of our Company and the provisions under the Articles of Association, our Company may cease sending cheques, warrants or similar financial instruments for dividend entitlements or dividend warrants by post if such cheques, warrants or similar financial instruments have been left uncashed on two consecutive occasions. Our Company may also exercise the power to cease sending cheques, warrants or similar financial instruments for dividend entitlements or dividend warrants after the first occasion on which such a cheque, warrant or similar financial instrument is returned undelivered.

Our Company shall have the power to sell, in such manner as our Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

- (a) all cheques, warrants or similar financial instruments for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of Association of our Company have remained uncashed for a total of not less than three times;
- (b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or otherwise; and
- (c) our Company has caused an advertisement to be inserted in an English language newspaper and a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Stock Exchange of such intention and a period of three months has elapsed since the publication date of such advertisement.

For this purpose, “relevant period” means the period commencing 12 years before the date of publication of the relevant advertisement and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, our Board may authorise any person to transfer the said shares. The instrument of transfer signed or otherwise executed by or on behalf of such authorised person shall be as effective as if it had been executed by the registered holder or a person entitled to transfer such shares. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it, and our Company shall not be required to be accountable to the former shareholder for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

**WINDING UP**

If our Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie or kind the whole or any part of the assets of our Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, provided that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

**INDEMNITY**

Every Director, former Director, responsible person, officer or auditor of our Company shall be entitled to be indemnified out of the assets of our Company against all losses or liabilities (including any such liability as mentioned in section 468(4) of the Companies Ordinance) which he may sustain or incur in the execution of the duties of his office or otherwise in relation thereto, and no Director, former Director, responsible person, officer or auditor shall be liable for any loss, damages or misfortune which may happen to or be incurred by our Company in the execution of the duties of his office or in relation thereto, provided that such provision shall only have effect under the Articles of Association in so far as it is not invalidated by the Companies Ordinance.

The above paragraph shall not apply to:

- (a) any liability of the Director, former Director, responsible person, officer or auditor to pay:
  - (i) a fine imposed in criminal proceedings; or
  - (ii) a sum payable by way of a penalty in respect of non-compliance with any requirement of a regulatory nature; or
- (b) any liability incurred by the Director, former Director, responsible person, officer or auditor:
  - (i) in defending criminal proceedings in which the Director, former Director, responsible person, officer or auditor is convicted;
  - (ii) in defending civil proceedings brought by our Company, or an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;

- (iii) in defending civil proceedings brought on behalf of our Company by a member of our Company or of an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;
- (iv) in defending civil proceedings brought on behalf of an associated company of our Company by a member of the associated company or by a member of an associated company of the associated company, in which judgement is given against the Director, former Director, responsible person, officer or auditor; or
- (v) in connection with an application for relief under section 903 or 904 of the Companies Ordinance in which the Court refuses to grant the Director, former Director, responsible person, officer or auditor relief.

So far as may be permitted by the Companies Ordinance, our Company may purchase and maintain for any officer of our Company:

- (a) insurance against any legal liability to our Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) which he has committed in relation to our Company or an associated company; and
- (b) insurance against any legal liability borne by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) in respect of our Company or an associated company of which he may be guilty.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in Hong Kong under the predecessor ordinance of the Companies Ordinance as a private company limited by shares on 11 March 2005 with the initial authorized share capital of US\$1,282, which was increased on 2 June 2005 to US\$567,000 (with a then par value of US\$0.01). Our registered office is at 5/F., KC100, 100 Kwai Cheong Road, Kwai Chung, New Territories. Our Company changed our company status to a public company limited by shares with effect from the Listing Date following the approval by our Shareholders by way of extraordinary general meetings held on 13 March 2021.

As our Company was incorporated in Hong Kong, our operations are subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association. A summary of certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

At the date of incorporation of the Company, our authorized share capital was HK\$10,000, divided into 10,000 Shares. On 2 June 2005, the authorized share capital of the Company was changed to US\$567,000 divided into 50,000,000 Shares of par value of US\$0.01 each, 1,100,000 Series A Preferred Shares of par value of US\$0.01 each and 5,600,000 Series B Preferred Shares of par value of US\$0.01 each. On 19 January 2006, the authorized share capital of the Company was further changed to US\$607,000 divided into 50,000,000 Shares of par value of US\$0.01 each, 1,100,000 Series A Preferred Shares of par value of US\$0.01 each, 5,600,000 Series B Preferred Shares of par value of US\$0.01 each and 4,000,000 Series C Preferred Shares of par value of US\$0.01 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Prospectus:

- a. On 5 August 2019, the Company allotted and issued an aggregate of 341,187 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Chu Pui King	10,000	0.50
Wong Shuet Ha	10,000	0.50
Kim In Sook	10,000	0.50
Leung Chi Yuen Eddie	10,000	0.50
Ma Ping Cheung	5,000	0.50

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Liu Wai Lap	5,000	0.50
Sze Heung Ling	700	0.50
Chao Chie Hua	10,000	0.50
Lee Chung Sing Antony	10,000	0.50
Tai Ching Ngai	10,000	0.50
Wan Siu Chung	10,000	0.50
Baluyos Gladys Alburo	10,000	0.50
Chung Pui Ha	10,000	0.50
Keung Shun Yin	10,000	0.50
Wong Hoi Kin	10,000	0.50
Sze Wai Lok	6,500	0.50
Chan Ka Kit	10,000	0.50
Wong Man Kee Maggie	5,000	0.50
Lee Yuen Wang	10,000	0.50
Ng Sai Cheong	10,000	0.50
Cheng Hon Lam	10,000	0.50
Hui Chik Keung	10,000	0.50
Kwok Chi Wai	10,000	0.50
Lay Pauline	10,000	0.50
Leung Man Kit	10,000	0.50
Lo Nerissa Stacey	10,000	0.50
Tang Wai Han	10,000	0.50
Lam Ka Yi	5,000	0.50
Cheung Pui Ying	2,000	0.50
Tang Chun Tak	1,300	0.50
Sze Heung Ling	5,062	0.80
Lock Wai Kuen	4,875	0.80
Chan Shu Kwong Stanley	5,875	0.80
Chun Tin Yue	3,000	0.80
Kong Lai Yee	10,000	0.80
So Chin Ting	6,250	0.80
Sze Heung Ling	2,500	1.20
So Chin Ting	2,500	1.20
Lee Suk Ying Bianka	3,125	1.20
Chan Ying Ying	2,500	1.20
Total	<u>296,187</u>	

- b. On 13 August 2019, the Company repurchased from a number of holders of Shares an aggregate of 296,187 Shares for a consideration of US\$458,000.
- c. On 1 November 2019, the Company allotted and issued 33,000 Shares of US\$0.50 per Share, credited as fully paid, to David B. Hoppe.
- d. On 11 February 2020, the Company allotted and issued an aggregate of 110,000 Shares, credited as fully paid, to the following individuals:

Name	<b>Number of Shares allotted and issued by our Company</b>	US\$ per Share
Leung Wai Cheong	11,000	0.80
Wong Shuet Ha	<u>100,000</u>	0.50
Total	<u><u>110,000</u></u>	

- e. On 17 March 2020, the Company allotted and issued 24,000 Shares of US\$0.80 per Share, credited as fully paid, to Leung Wai Cheong.
- f. On 9 April 2020, the Company allotted and issued 10,000 Shares of US\$0.50 per Share, credited as fully paid, to Leung Wai Cheong.
- g. On 14 April 2020, the Company allotted and issued 163,000 Shares of US\$0.50 per Share, credited as fully paid, to Wong Shuet Ha.
- h. On 17 April 2020, the Company allotted and issued 50,000 Shares of US\$0.50 per Share, credited as fully paid, to Ng Sai Cheong.
- i. On 14 May 2020, the Company allotted and issued 66,000 Shares of US\$0.50 per Share, credited as fully paid, to David B. Hoppe.
- j. On 15 May 2020, the Company allotted and issued 10,000 Shares of US\$0.50 per Share, credited as fully paid, to Chu Pui King.

- k. On 31 May 2020, the Company allotted and issued an aggregate of 98,000 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Chu Kin Hang	10,000	0.50
Wong Shuet Ha	10,000	0.50
Kim In Sook	9,000	0.50
Chen Chu-Jen Ross	10,000	0.50
Chao Chie Hua	9,000	0.50
Lee Chung Sing Antony	10,000	0.50
Tai Ching Ngai	10,000	0.50
Wan Siu Chung	10,000	0.50
Baluyos Gladys Alburo	10,000	0.50
Chung Pui Ha	<u>10,000</u>	0.50
Total	<u><u>98,000</u></u>	

- l. On 31 May 2020, the Company allotted and issued an aggregate of 51,725 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Kim In Sook	1,000	0.80
Chao Chie Hua	1,000	0.80
Wong Man Yan Annie	10,000	0.80
Lock Wai Kuen	4,875	0.80
Chan Shu Kwong Stanley	2,350	0.80
Kong Lai Yee	6,875	0.80
So Chin Ting	2,500	0.80
Ng Kam Wai	5,000	0.80
Hung Lai Ting	10,000	0.80
Lau Ho Yee	<u>8,125</u>	0.80
Total	<u><u>51,725</u></u>	

- m. On 31 May 2020, the Company allotted and issued an aggregate of 12,500 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Leung Sin Yan	5,000	1.20
So Chin Ting	2,500	1.20
Lee Suk Ying Bianka	2,500	1.20
Chan Ying Ying	<u>2,500</u>	1.20
Total	<u><u>12,500</u></u>	

- n. On 31 May 2020, the Company allotted and issued an aggregate of 3,000 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Chan Shu Kwong Stanley	250	1.55
So Chin Ting	250	1.55
Ng Hei Man	<u>2,500</u>	1.55
Total	<u><u>3,000</u></u>	

- o. On 20 July 2020, the Company allotted and issued an aggregate of 71,000 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Leung Chi Yuen Eddie	10,000	0.50
Ma Ping Cheung	15,000	0.50
Liu Wai Lap	15,000	0.50
Wong Man Kee Maggie	11,000	0.50
Cheung Cheuk Kin	<u>20,000</u>	0.50
Total	<u><u>71,000</u></u>	

- p. On 28 July 2020, the Company allotted and issued 16,000 Shares of US\$0.80 per Share, credited as fully paid, to Wong Shuet Ha.
- q. On 17 August 2020, the Company allotted and issued 7,000 Shares of US\$0.80 per Share, credited as fully paid, to Leung Wai Cheong.
- r. On 19 February 2021, the Company allotted and issued an aggregate of 15,000 Shares, credited as fully paid, to the following individuals:

Name	<b>Number of Shares allotted and issued by our Company</b>	US\$ per Share
Steven Chung Chu	10,000	0.50
Cheng Pui Ying	<u>5,000</u>	0.50
Total	<u><u>15,000</u></u>	

- s. On 18 March 2021, the Company allotted and issued 16,900 Shares of US\$0.80 per Share, credited as fully paid, to Keung Shun Yin.
- t. On 18 March 2021, the Company allotted and issued a further 400 Shares of US\$1.55 per Share, credited as fully paid, to Keung Shun Yin.
- u. On 20 May 2021, the Company allotted and issued a further 25,000 Shares of US\$0.80 per Share, credited as fully paid, to Lee Chung Sing Antony.
- v. On 20 May 2021, the Company allotted and issued a further 22,000 Shares of US\$0.50 per Share, credited as fully paid to Lee Chung Sing Antony.

- w. On 8 June 2021, the Company allotted and issued an aggregate of 138,000 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Chen Chu-Jen Ross	14,000	0.50
Wan Siu Chung	19,000	0.50
Chung Pui Ha	20,000	0.50
Lee Yuen Wang	20,000	0.50
Erik Hohmann	25,000	0.50
Pauline Lay	10,000	0.50
Cheung Chan Alexander	5,000	0.50
Jang Jisu	5,000	0.50
Cheng Cheuk Kin	10,000	0.50
Connie Luong	<u>10,000</u>	0.50
Total	<u>138,000</u>	

- x. On 8 June 2021, the Company allotted and issued an aggregate of 871,963 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Chu Kin Hang	195,000	0.80
Chu Pui King	11,900	0.80
Kim In Sook	24,000	0.80
Leung Chi Yuen Eddie	9,000	0.80
Ma Ping Cheung	11,900	0.80
Yuen Kam Fung Kevin	15,100	0.80
Liu Wai Lap	13,900	0.80
Sze Heung Ling	3,038	0.80
Wu Wai Leung	8,300	0.80
Chen Chu-Jen Ross	25,000	0.80
Chao Chie Hua	24,000	0.80
Tai Ching Ngai	69,500	0.80
Wan Siu Chung	50,000	0.80
Baluyos Gladys Alburo	29,600	0.80
Chung Pui Ha	19,400	0.80
Wong Hoi Kin	24,300	0.80

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Wong Man Yan Annie	11,100	0.80
Sze Wai Lok	10,000	0.80
Chan Ka Kit	11,800	0.80
Shelley Cheung	19,100	0.80
Yeung Yuen Man	9,400	0.80
Lam Ngai Fong	18,755	0.80
Chan Shu Kwong Stanley	1,175	0.80
Chun Tin Yue	11,400	0.80
Wong Man Kee Maggie	9,400	0.80
Tsang Yuen Ting	3,750	0.80
Lee Yuen Wang	25,000	0.80
Leung Hoi Yin	18,600	0.80
Yuen Wing Chi	48,500	0.80
Hui Chik Keung	10,000	0.80
Kong Lai Yee	3,125	0.80
Kwok Chi Wai	30,000	0.80
Leung Man Kit	10,000	0.80
So Chin Ting	1,250	0.80
Hong Mi Sook	22,700	0.80
Ng Kam Wai	5,000	0.80
Hung Lai Ting	10,000	0.80
Huang Jinyan	10,000	0.80
Lai Yuk Ting	8,750	0.80
Yeung Ching Man	10,000	0.80
Yeung Pik Yuk	19,200	0.80
Total	<u>871,963</u>	

- y. On 8 June 2021, the Company allotted and issued an aggregate of 339,162 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Kim In Sook	34,375	1.20
Sze Heung Ling	962	1.20
Wu Wai Leung	6,875	1.20
Tam Chun Lung	6,875	1.20
Wan Siu Chung	34,375	1.20
Wong Hoi Kin	13,750	1.20
Lam Ngai Fong	5,000	1.20
Wong Man Kee Maggie	6,875	1.20
Fung Chi Hong	6,875	1.20
Ng Sai Cheong	50,000	1.20
Erik Hohmann	34,375	1.20
Kwok Chi Wai	13,750	1.20
Pauline Lay	18,750	1.20
Tang Wai Han	18,700	1.20
So Chin Ting	1,875	1.20
Lee Suk Ying Bianka	1,875	1.20
Chan Ying Ying	1,875	1.20
Ng Kam Wai	7,000	1.20
Wong Shuet Kwan	5,000	1.20
Cheng Cheuk Kin	12,500	1.20
Huang Jinyan	12,500	1.20
Lai Yuk Ting	13,125	1.20
Pau Kwok On	11,250	1.20
Yeung Ching Man	6,875	1.20
Hong Mi Sook	<u>13,750</u>	1.20
Total	<u><u>339,162</u></u>	

- z. On 8 June 2021, the Company allotted and issued an aggregate of 124,371 Shares, credited as fully paid, to the following individuals:

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Kim In Sook	438	1.55
Leung Chi Yuen Eddie	5,438	1.55
Ma Ping Cheung	5,438	1.55
Yuen Kam Fung Kevin	438	1.55
Wu Wai Leung	438	1.55
Wan Siu Chung	425	1.55
Baluyos Gladys Alburo	438	1.55
Chung Pui Ha	438	1.55
Wong Hoi Kin	438	1.55
Yeung Pik Yuk	438	1.55
Yeung Yuen Man	4,375	1.55
Lam Ngai Fong	5,000	1.55
Chan Shu Kwong Stanely	188	1.55
Wong Man Kee Maggie	438	1.55
Chan Chung Hang	4,375	1.55
Fung Chi Hong	438	1.55
Tsang Yuen Ting	2,500	1.55
Wong Yuk Chu	4,375	1.55
Lee Yuen Wang	438	1.55
Erik Hohmann	12,500	1.55
Hui Chik Keung	4,375	1.55
Kwok Chi Wai	438	1.55
Leung Man Kit	4,375	1.55
Nerissa Stacey Lo	3,750	1.55
Hong Mi Sook	438	1.55
Tsang Sau Lin Joely	7,500	1.55
Tsang Ching Man	5,000	1.55
Cheung Chan Alexander	3,750	1.55
Gao Texuan	4,375	1.55
Mak Ka Hei	2,500	1.55
Ng Hei Man	1,875	1.55
Ngan Wai Ling	4,375	1.55
Chan Man Ting	6,250	1.55
Choi Hau Ching	2,000	1.55
Connie Luong	3,750	1.55
Pau Kwok On	2,500	1.55
Wong Kit Chi	6,250	1.55
Yeung Chin Lung Nicky	6,250	1.55

Name	Number of Shares allotted and issued by our Company	US\$ per Share
Liu Wai Lap	438	1.55
Poon Mou Fun	5,000	1.55
So Chin Ting	<u>188</u>	1.55
Total	<u><u>124,371</u></u>	

On 9 June 2021, the Company effected the Share Split, pursuant to which each Share was subdivided into ten Shares. Immediately after the Share Split and as at the date hereof, all of the issued shares in the Company comprise fully paid 179,865,530 Shares, 1,048,405 Series A Preferred Shares, 5,164,737 Series B Preferred Shares and 3,381,629 Series C Preferred Shares.

Save as disclosed above, there has been no alternation in our share capital within two years immediately preceding the date of this prospectus.

### 3. Resolutions of our Shareholders

At an extraordinary general meeting of our Company held on 13 March 2021, resolutions of our Shareholders were passed, pursuant to which, among others:

- a. the Articles of Association were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the Listing Date;
- b. conditional upon all the conditions set out in “Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering” in this Prospectus being fulfilled (or waiver, where applicable):
  - i. the Global Offering was approved and the Board (or any committee thereof established by the Board) was authorized to make or effect the same as it thinks fit;
  - ii. the Board (or any committee thereof established by the Board) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
  - iii. the Board (or any committee thereof established by the Board) was authorized to agree to the price per Offer Share with the Sole Sponsor.

- c. a general unconditional mandate (the “**Issuing Mandate**”) was granted to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than pursuant to (i) a rights issue; (ii) any scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on the Shares; or (iii) a specific authority granted by the Shareholders in a general meeting, such number of Shares representing up to 20% of the aggregate number of Shares immediately following completion of the Global Offering (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the options which were granted under the Pre-IPO Share Option Schemes or may be granted under the Post-IPO Share Option Scheme), and such mandate to remain in effect until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required to be held by the Articles of Association or any applicable laws of Hong Kong, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority, whichever occurs first;<sup>(1)</sup>
- d. a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other approved stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with the Listing Rules and all other applicable laws and rules, such number of Shares representing up to 10% of the aggregate number of Shares immediately following completion of the Global Offering (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the options which were granted under the Pre-IPO Share Option Schemes or may be granted under the Post-IPO Share Option Scheme), and such mandate to remain in effect until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required to be held by the Articles of Association or any applicable laws of Hong Kong, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority, whichever occurs first;<sup>(1)</sup> and
- e. the extension of the Issuing Mandate as mentioned in paragraph (c) above to include the number of Shares which may be repurchased pursuant to the Repurchase Mandate as mentioned in paragraph (d) above.<sup>(1)</sup>

#### 4. Our corporate reorganization

The companies comprising our Group underwent the Reorganization in June 2005. Please refer to the section headed “History, Reorganization and Corporate Structure — Corporate Establishment and Development and Major Shareholding Changes of Our Group — 5. The Reorganization” in this Prospectus for information relating to the Reorganization.

<sup>(1)</sup> These resolutions were refreshed, approved and adopted at the annual general meeting of our Company held on 19 June 2021.

## 5. Changes in the Capital of our major subsidiaries

There has been no alteration in the share capital of our major subsidiaries within the two years immediately preceding the date of this prospectus.

## 6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

### *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### *(a) Shareholders' approval*

The Listing Rules provide that all share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate or by special approval in relation to specific transactions. As mentioned in the paragraph headed "A. Further Information about our Company and its Subsidiaries — 3. Resolutions of our Shareholders" in this appendix, our Directors were granted the repurchase mandate on 13 March 2021, which was refreshed, approved and adopted at the annual general meeting of our Company held on 19 June 2021.

#### *(b) Sources of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchase by our Company may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase.

#### *(c) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to exercise of warrants, share options or similar instruments

requiring the issuer to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(d) Status of repurchased shares*

All repurchased shares (whether on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

*(e) Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a

monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

*(f) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder or any of our subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

***Reasons for repurchase***

Our Directors believe that it is in the best interests of our Company and our Shareholders to have general authority from our Shareholders to enable our Directors to repurchase our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and the assets and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

***Funding of repurchases***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this Prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels, but will do so if, in the opinion of the Directors, are from time to time appropriate for our Company.

***General***

The exercise in full of the Repurchase Mandate, on the basis of 395,390,790 Shares in issue after completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme), could accordingly result in up to 39,539,079 Shares being repurchased by us during the period prior to the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required to be held by the Articles of Association or any

applicable laws of Hong Kong, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the Repurchase Mandate, whichever occurs first.

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell the Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this prospectus and are/or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-Competition;
- (c) the cornerstone investment agreement entered into among the Company, Triple Surge Holdings Limited and UOB Kay Hian (Hong Kong) Limited dated 16 June 2021;

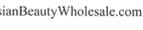
(d) the cornerstone investment agreement entered into among the Company, CS Logistics Holdings Ltd. and UOB Kay Hian (Hong Kong) Limited dated 16 June 2021; and

(e) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group was the owner of the following trademarks, registered with the relevant authorities in respect of the class of goods and services specified below, that are material to the operations of our Group:

No.	Trademark	Registered Owner	Place of registration	Registration number	Date of registration	Expiry date	Class
1.	<sup>A</sup>  <sup>B</sup>  <sup>C</sup> 	YesAsia Trading (Hong Kong) Limited	Hong Kong	304183803	23 June 2017	23 June 2027	35
2.		YesAsia Trading (Hong Kong) Limited	Hong Kong	304232060	4 August 2017	4 August 2027	35
3.		YesStyle.com Limited	Hong Kong	300826759	6 March 2017	6 March 2027	35
4.		YesAsia.com (Hong Kong) Limited	Hong Kong	300135558	31 December 2003	30 December 2023	35
5.	YESSTYLE	YesStyle.com Limited	Canada	TMA805,105	24 August 2011	23 August 2026	
6.	YESSTYLE	YesStyle.com Limited	European Union	008599201	29 August 2019	29 August 2029	35
7.	YESSTYLE	YesStyle.com Limited	United States	3,304,722	15 May 2017	15 May 2027	35
8.	YESSTYLE	YesStyle.com Limited	PRC	13005562	7 May 2016	6 May 2026	18
9.		YesStyle.com Limited	Australia	1319687	9 September 2009	9 September 2029	35
10.	<sup>A</sup>  <sup>B</sup> 	YesAsia.com (Hong Kong) Limited	Hong Kong	300636039	10 May 2006	9 May 2026	16, 35, 39
11.	YESSTYLE	YesStyle.com Limited	PRC	13005561A	14 March 2016	13 March 2026	25
12.	YESSTYLE	YesStyle.com Limited	PRC	13005561	28 May 2016	27 May 2026	25

No.	Trademark	Registered Owner	Place of registration	Registration number	Date of registration	Expiry date	Class
13.		YesAsia Holdings Limited	Hong Kong	305355711	10 August 2020	9 August 2030	35
14.	A.  B. 	YesAsia Holdings Limited	Hong Kong	305355702	10 August 2020	9 August 2030	35

**(b) Domain names**

As at the Latest Practicable Date, our Group has registered the following domain names that are material to the operations of our Group:

No.	Domain name
1.	<i>www.yesasia.com</i>
2.	<i>www.yesstyle.com</i>
3.	<i>www.asianbeautywholesale.com</i>
4.	<i>www.yesasiaholdings.com</i>

Save as disclosed in the paragraph headed “B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group” in this appendix, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

**(a) Disclosure of Interests — Directors’ and chief executive’s interests and short positions in the share capital and debentures of our Company and our associated corporations**

Immediately following completion of the Global Offering (without taking into account Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the outstanding options which were granted under the Pre-IPO Share Option Schemes or may be granted under the Post-IPO Share Option Scheme), the interests and short positions of our Directors and chief executives in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the

SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once our Shares are listed will be as follows:

(i) *Interests in our Company*

Name of Director or chief executive	Capacity/Nature of Interest	Number of Shares interested <sup>(1)</sup>	Percentage of Shareholding <sup>(2)</sup>
Mr. Lau	Beneficial owner	122,112,980 <sup>(3)</sup>	30.88
	Interest of Spouse	29,835,550 <sup>(3)</sup>	7.55
Ms. Chu	Beneficial owner	29,835,550 <sup>(3)</sup>	7.55
	Interest of Spouse	122,112,980 <sup>(3)</sup>	30.88
Ms. Wong Shuet Ha	Beneficial owner	4,930,000	1.25
Mr. Lui Pak Shing Michael	Beneficial owner	35,183,210	8.90

*Notes:*

- (1) Assuming all Preferred Shares of the Company are converted into the Shares of the Company according to their respective conversion ratios.
- (2) Assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme.
- (3) As at the Latest Practicable Date, Mr. Lau directly held 118,412,980 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle him to subscribe for 3,700,000 Shares.

As at the Latest Practicable Date, Ms. Chu directly held 29,235,550 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle her to subscribe for 600,000 Shares.

As Mr. Lau is the spouse of Ms. Chu and vice versa, and they are each deemed under the SFO to be interested in the Shares directly held by each other, they are therefore both interested in the combined number of Shares (being 151,948,530 Shares (on an as-converted basis) as at the Latest Practicable Date).

*(ii) Interest in the shares of associated corporations*

To the best knowledge of the Directors, other than the one share held by Mr. Lau (representing 10% of the total issued shares) in YesAsia.com Limited as a trustee for our Company, none of the Directors has interests or short positions in the share capital or debenture of the associated corporations of our Company.

None of our Directors or our chief executive will immediately following the completion of the Global Offering (without taking into account Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the options which were granted under the Pre-IPO Share Option Schemes or may be granted under the Post-IPO Share Option Scheme) have any discloseable interests (as referred to in (a) above), other than as disclosed in (i) and (ii) above.

***(b) Particulars of Directors' service contracts and letters of appointment***

*(i) Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years.

*(ii) Non-executive Directors*

Each of our non-executive Directors has entered into a service contract with our Company for a term of three years.

*(iii) Independent non-executive Directors*

Each of our independent non-executive Directors has been appointed for an initial term of three years effective as at the Listing Date.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

For details of the Directors' remuneration, see "Directors and Senior Management — Remuneration of Directors and Senior Management" of this prospectus.

Save as disclosed in this section, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group.

## 2. Substantial Shareholders

### (i) Interests in our Company

So far as our Directors are aware, immediately following the completion of the Global Offering, and assuming that (i) the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme, and (ii) all the Preferred Shares will automatically convert into Shares, the following persons will have interests or short positions in our Shares or underlying Shares which will be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Shares held as at the Latest Practicable Date <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering <sup>(2)</sup>	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Lau <sup>(3)</sup>	Beneficial interest	122,112,980	34.32%	122,112,980	30.88%
	Interest of Spouse	29,835,550	8.38%	29,835,550	7.55%
Ms. Chu <sup>(3)</sup>	Beneficial interest	29,835,550	8.38%	29,835,550	7.55%
	Interest of Spouse	122,112,980	34.32%	122,112,980	30.88%
PCCW e-Ventures Limited <sup>(4)</sup>	Beneficial interest	39,704,030	11.16%	39,704,030	10.04%
CyberWorks Ventures Limited <sup>(4)</sup>	Interest in controlled corporation	39,704,030	11.16%	39,704,030	10.04%
PCCW Limited <sup>(4)</sup>	Interest in controlled corporation	39,704,030	11.16%	39,704,030	10.04%
Mr. Lui Pak Shing Michael	Beneficial interest	35,183,210	9.89%	35,183,210	8.90%
Pacven Walden Ventures IV, L.P. <sup>(5)</sup>	Beneficial interest	32,458,590	9.12%	32,458,590	8.21%
Pacven Walden Management II, L.P. <sup>(5)</sup>	Interest in controlled corporation	32,458,590	9.12%	32,458,590	8.21%
Stonepath Group, Inc. <sup>(6)</sup>	Beneficial interest	26,000,000	7.31%	26,000,000	6.58%

Notes:

- (1) Assuming all Preferred Shares of the Company are converted into the Shares of the Company according to their respective conversion ratios.

- (2) Assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme.
- (3) As at the Latest Practicable Date, Mr. Lau directly held 118,412,980 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle him to subscribe for 3,700,000 Shares.

As at the Latest Practicable Date, Ms. Chu directly held 29,235,550 Shares (on an as-converted basis), and was granted options under the Pre-IPO Share Option Schemes which entitle her to subscribe for 600,000 Shares.

As Mr. Lau is the spouse of Ms. Chu and vice versa, and they are each deemed under the SFO to be interested in the Shares directly held by each other, they are therefore both interested in the combined number of Shares (being 151,948,530 Shares (on an as-converted basis) as at the Latest Practicable Date).

- (4) PCCW e-Ventures Limited is 50% held by CyberWorks Ventures Limited and 50% held by PCCW Nominees Limited (acting as a bare trustee for and on behalf of CyberWorks Ventures Limited as the beneficiary). CyberWorks Ventures Limited is a wholly-owned subsidiary of PCCW Limited (being a company listed on the Stock Exchange with stock code 0008). Therefore, each of CyberWorks Ventures Limited and PCCW Limited is deemed to be interested in the 39,704,030 Shares (on an as-converted basis) held by PCCW e-Ventures Limited under the SFO.
- (5) Pacven Walden Ventures IV, L.P. is a Cayman registered limited partnership, which is controlled by its general partner, Pacven Walden Management II, L.P. Therefore, Pacven Walden Management II, L.P. is deemed to be interested in the 32,458,590 Shares (on an as-converted basis) held by Pacven Walden Ventures IV, L.P. under the SFO.
- (6) As at the Latest Practicable Date, Stonepath Group, Inc., a U.S. company incorporated in the State of Delaware, directly held 26,000,000 Shares (on an as-converted basis). As far as our Directors are aware, Stonepath Group, Inc. is held by various shareholders, and none of which is deemed to be interested in the Shares held by Stonepath Group, Inc. by virtue of the SFO.

***(ii) Interests of the substantial shareholders of any member of our Group (other than our Company)***

So far as our Directors are aware, immediately following the completion of the Global Offering and other than Mr. Lau who is holding one share in YesAsia.com Limited (representing 10% of the total issued shares) as a trustee for our Company, no one will, directly, or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the group (other than our Company).

### **3. Related party transactions**

Please refer to Note 36 of the Accountant's Report in Appendix I to this Prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

#### 4. Disclaimers

Save as disclosed in this Prospectus:

- (a) none of our Directors or chief executive of our Company has any interest and short position in our Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Companies;
- (b) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other Information — 9. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other Information — 9. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the persons referred to in the paragraph headed “E. Other Information — 9. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) none of our Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (f) taking no account of any Shares which may be taken up upon the exercise of the Over-allotment Option and such further Shares that may be issued upon the exercise of the share options granted under the Pre-IPO Share Option Schemes or to be granted under the Post-IPO Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of

Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

#### **D. PRE-IPO SHARE OPTION SCHEMES AND POST-IPO SHARE OPTION SCHEME**

##### **1. Pre-IPO Share Option Schemes**

As at the Latest Practicable Date, the Company has adopted two pre-IPO share option schemes (collectively, the “**Pre-IPO Share Option Schemes**”), which are (i) YesAsia Holdings 2005 General Stock Option Plan and (ii) YesAsia Holdings 2016 General Stock Option Plan. The following is a summary of each of the Pre-IPO Share Option Schemes and their principal terms.

##### *(i) YesAsia Holdings 2005 General Stock Option Plan (the “2005 Pre-IPO Share Option Scheme”)*

On 28 July 1999, the Company’s predecessor, YesAsia.com, Inc. (the “**Former Holdco**”) approved a general stock option plan (the “**1999 General Stock Option Plan**”, as amended and restated on 15 October 1999 and 26 June 2003), pursuant to which the Former Holdco granted options to, among other Eligible Participants (as defined below), employees and directors of our Group. As a result of the Reorganization, the 2005 Pre-IPO Share Option Scheme was approved and adopted by our Board on 2 June 2005 to replace the 1999 General Stock Option Plan, and the options granted under the 1999 General Stock Option Plan were substituted by options under the 2005 Pre-IPO Share Option Scheme with effect from their original dates of grant. The 2005 Pre-IPO Share Option Scheme was further amended and restated on 24 June 2010 and 28 June 2018.

The following is a summary of the principal terms of the 2005 Pre-IPO Share Option Scheme. The terms of the 2005 Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2005 Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the Listing.

##### *(a) Purpose*

The purpose of the 2005 Pre-IPO Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to attract and retain selected Eligible Participants (as defined below) by providing them with an opportunity for investment in the Company. The options granted under the 2005 Pre-IPO Share Option Scheme represent the

right by the grantee thereof to acquire ordinary shares in the Company subject to the terms and conditions of the 2005 Pre-IPO Share Option Scheme and the individual option grant letter agreement executed between the Company and the relevant grantee (the “**Option Agreement**”).

*(b) Administration*

The 2005 Pre-IPO Share Option Scheme is administered and interpreted by the Board, or by a committee appointed by the Board which consists of two or more members of the Board (the “**Committee**” and the Board, shall collectively referred to as the “**Administrator**” for this purpose).

Specifically, the Administrator has the full and final authority in its discretion, subject to the specific limitations set forth under the scheme rules and in the articles of association of the Company, at any time to, among other things:

- (i) select and approve the Eligible Participants to whom options will be granted from time to time;
- (ii) determine the fair market value of the Option Shares (as defined below) as at the grant date for any option that is granted under the scheme;
- (iii) with respect to each option it decides to grant, to determine the terms and conditions of that option, to be set forth in the individual Option Agreement, subject to the terms and conditions of the scheme;
- (iv) the option price to be paid to the Company by the relevant optionee to acquire the underlying Option Shares issuable upon exercise of the option (the “**Option Price**”), provided that the Option Price cannot be less than eight five percent (85%) of the fair market value of the shares as at the relevant grant date;
- (v) the maximum period or term (the “**Option Term**”) during which the option will be exercisable subject to vesting, provided that in no event may the Option Term be longer than ten (10) years from the grant date; and
- (vi) the maximum period following any termination of eligibility status event, whether resulting from an optionee’s death, disability or any other reason, during which period (the “**Grace Period**”) the options will still be exercisable, subject to vesting and to the expiration of the Option Term, despite the termination of eligibility status; provided that the Administrator may not designate a Grace Period shorter than six (6) months where the termination of eligibility status event is due to the optionee’s death or disability, or thirty

(30) days where the termination of eligibility status event is due to any other reason (except of termination for cause, in which case no Grace Period will be required).

*(c) Eligibility*

The Company (via the Administrator) may grant options under the scheme to the following persons (the “**Eligible Participants**”):

- (i) persons who, at the time of the grant, are directors, officers, and employees of the Group, and
- (ii) natural persons who at the time of the grant, are independent contractors, consultants or advisers of the Group and who perform bona fide services to the Group.<sup>1</sup>

*Note:*

- (1) Under the 2005 Pre-IPO Share Option Scheme, the Company had only granted options to two individuals under this category of Eligible Participants (being independent contractors, consultants or advisers of the Group). These two individuals are:
  - (i) Mr. Aaron E. Kim who was retained by the Company as a consultant with the job title “Advisor to Board of Directors” in November 2005 and was granted a total of 70,000 options in two batches, in which 20,000 options were fully exercised and the remaining 50,000 options granted were lapsed (hence not exercised) by the options’ respective expiry dates; and
  - (ii) Mr. David Hoppe who has, from time to time, been retained by the Company as its U.S. legal adviser in matters concerning U.S. laws. Mr. Hoppe was granted a total of 189,500 options under the 2005 Pre-IPO Share Option Scheme in several batches, in which 99,000 were fully exercised and the remaining 90,500 options were lapsed (hence not exercised) by the options’ respective expiry dates.

As at the Latest Practicable Date, there are no outstanding options granted under the 2005 Pre-IPO Share Option Scheme to this category of Eligible Participants (being independent contractors, consultants or advisers of the Group).

No person will be an Eligible Participant following his or her termination of eligibility status and no option may be granted to any person other than an Eligible Participant; and there is no limitation on the number of options that may be granted to each Eligible Participant.

*(d) Maximum number of Shares*

Under the scheme rules, the maximum number of option shares (“**Option Shares**”) that the Company may issue, as adjusted following the Share Split, is 45,762,980 ordinary shares of the Company, exclusive of those Option Shares that may be reacquired by the Company by repurchase or otherwise;

provided that at no time will the total number of Option Shares that are issuable upon the exercise of all outstanding options granted under this plan or under any other outstanding options or warrants issued by the Company and the total number of shares provided for under any stock bonus or similar plan of the Company in the aggregate exceed 30% of the total number of then issued and outstanding shares of the Company (or such higher percentage as approved by the holders of at least two-thirds of the outstanding shares of the Company (including all securities convertible into shares)).

Following the Share Split which took effect on 9 June 2021, each grantee shall receive ten (10) Option Shares for each outstanding option exercised. Option Shares will rank *pari passu* in all respects with the then existing issued ordinary shares in the capital of the Company and will be subject to all the provisions of the articles of association of the Company.

*(e) Vesting Schedule*

Subject to the scheme rules and the terms and conditions under the Option Agreement, the default vesting schedule shall be:

- (i) 25% of all the options granted will become vested on the first anniversary of the vesting start date as specified in the Option Agreement (the “**Vesting Start Date**”, which may be earlier but may not be later than the option grant date);
- (ii) 6.25% of the options granted will become vested as at the end of each three month period after the Vesting Start Date, such that all of the options with the same Vesting Start Date shall become vested on the fourth anniversary of the Vesting Start Date;

provided that, among others, (x) the optionee does not suffer a termination of eligibility status prior to each such vesting date and (y) the additional vesting will be suspended during any period which the optionee is on a leave of absence from the Group, as determined by the Administrator.

*(f) Conditions to vesting*

The Administrator may impose certain conditions (*e.g.* the passage of time or the occurrence of certain events) to be satisfied prior to the vesting of the right to exercise all or specified portions of options granted to an optionee, provided that no such conditions may be imposed which prevents an optionee who is an employee, but who is neither an officer or director, of the Group, from purchasing at least 20% of the Option Shares initially subject to the options as at the first anniversary of the relevant grant date, and as at each anniversary thereafter, such that by the fifth anniversary of the grant date (assuming no termination of eligibility status), the entire option batch would be vested.

*(g) Exercise price of the options*

The Option Price in respect of the exercise of any options shall be determined by the Administrator, provided that the Option Price will not be less than 85% of the fair market value of the shares as at the grant date. Only cash will be accepted by the Administrator as payment of the Option Price.

*(h) Conditions of exercise*

Similar to the conditions to vesting, the Administrator may also impose conditions on the right to exercise an option, provided that no such conditions may be imposed which prevents an optionee who is an employee, but who is neither an officer or director, of the Group, from purchasing at least 20% of the Option Shares initially subject to the options as at the first anniversary of the relevant grant date, and as at each anniversary thereafter, such that by the fifth anniversary of the grant date (assuming no termination of eligibility status), the entire option batch would be vested.

*(i) Term of the scheme*

The scheme will expire on the tenth (10th) anniversary, unless it is terminated earlier pursuant to the terms and conditions of the scheme rules, after which no more options may be granted. As at the Latest Practicable Date, the Scheme has expired. However, all outstanding options granted prior to such expiration or termination will remain effective and subject to the terms and conditions of these scheme rules; and no such expiration or termination of the scheme will result in the expiration or termination of any such options granted.

*(j) Term of the options*

The Administrator may determine the maximum period or term during which the options will be exercisable (*i.e.* the Option Term), provided that in no event may the Option Term be longer than ten (10) years from the respective grant date.

*(k) Exercise of option*

The portion of the options that becomes vested may be exercised by giving written notice to the Company, on such form as may be specified by the Administrator, but in any event stating:

- (i) the optionee's intention to exercise the option;
- (ii) the date of exercise;

- (iii) the number of Option Shares to be purchased (which number will be no less than one hundred (100) shares, or, if less, all of the remaining Option Shares);
- (iv) the amount and form of payment of the Option Price; and
- (v) such assurances of the optionee's investment intent as the Company may require to ensure that the transaction complies in all respects with all applicable laws.

The notice of exercise will be signed by the person or persons exercising the option. In the event that the option is being exercised by the representative of the optionee, the notice will be accompanied by proof satisfactory to the Company of the representative's right to exercise the option. The notice of exercise will be accompanied by full payment of the Option Price for the number of Option Shares to be purchased, in United States dollars or other currency agreed by the Company, in cash, by check made payable to the Company, or by delivery of such other form of payment (if any) as approved by the Administrator in the particular case.

To the extent required by applicable laws, and as a condition to the Company's obligation to issue any Shares upon the exercise of the option in full or in part, the optionee may be required to make arrangements satisfactory to the Company for the payment of any applicable tax withholding liability ("**Tax Withholding Liability**") that may arise by reason of or in connection with such exercise. Such arrangements may include, in the Company's sole discretion, that the optionee tender to the Company the amount of such Tax Withholding Liability, in cash, or by check made payable to the Company.

After receiving a proper notice of exercise and payment of the applicable Option Price and Tax Withholding Liability, the Company will cause to issue share certificate(s) for the Option Shares as to which the corresponding options have been exercised, registered in the name of the person rightfully exercising the options and the Company will cause such share certificate(s) to be delivered to such person.

*(1) Restrictions on transfer*

- (i) **Options transferable.** No option will be transferable by an optionee otherwise than by will or the laws of descent and distribution, save and except that subject to the approval of the Board, the option (whether in full or in part) may be transferred by an optionee (whether by transfer or sale or assignment or otherwise) to (and only to) Eligible Participant(s) who are employee(s) of the Company ("**Proposed Transferee**"), provided that such Proposed Transferee, the relevant optionee and the Company having executed a deed of transfer and adherence under which the

relevant optionee transfers the relevant option to the Proposed Transferee and the Proposed Transferee agrees to be bound by the scheme rules and the relevant Option Agreement. It is provided that during the lifetime of a natural person who is granted and/or transferred an option under the scheme rules, the option will be exercisable only by him or her.

- (ii) **Prohibited transfers.** Prior to the Initial Public Offering (as defined under the scheme rules), no holder of any Option Shares may transfer such shares, or any interest therein: (i) except as expressly provided under the scheme rules; and (ii) other than in full compliance with all applicable securities laws and any applicable restrictions on transfer provided in the Company's articles of association. All transfers of Option Shares not complying with the specific limitations and conditions set forth in the scheme rules are expressly prohibited. Any prohibited transfer is void and of no effect, and no purported transferee in connection therewith will be recognized as a holder of Option Shares for any purpose whatsoever. If such prohibited transfer is purported to occur, the Company may refuse to carry out the transfer in its books, attempt to set aside the transfer, enforce any undertakings or rights under the scheme rules, or exercise any other legal or equitable remedy.
  
- (iii) **Permitted Transfers.** In the case of a Permitted Transfer (as defined below), the rights of first refusal and repurchase of the Company set forth in paragraph (m) below will not apply. "**Permitted Transfer**" means any of the following: (i) a transfer by will or under the laws of descent and distribution; or (ii) a transfer by a holder of Option Shares to his or her ancestors, descendants or spouse (other than pursuant to a decree of divorce, dissolution or separate maintenance, a property settlement, or a separation agreement or any similar agreement or arrangement with a spouse, except for *bona fide* estate planning purposes), or to a trust, partnership, limited liability company, custodianship or other fiduciary account for the benefit of such holder and/or such ancestors, descendants or spouse, including any transfer in the form of a distribution from any such trust, partnership, limited liability company, custodianship or other fiduciary account to any of the foregoing permitted beneficial owners or beneficiaries thereof.
  
- (iv) **Conditions to transfer.** It will be a condition to any transfer of Option Shares that: (i) the transferee will execute such documents as the Company may reasonably require to ensure that the Company's rights under these scheme rules, and any applicable Option Agreement, are adequately protected with respect to such Option Shares, including, without limitation, the transferee's agreement to be bound by all of the terms and conditions of

these scheme rules and the corresponding Option Agreement, as if he or she were the original holder of such Option Shares; and (ii) the Company is satisfied that such transfer complies in all respects with the requirements imposed by applicable state and federal securities laws and regulations.

*(m) Company's rights of first refusal and repurchase of Option Shares prior to the Initial Public Offering*

The Company has the following rights of first refusal and repurchase with respect to the Option Shares:

- (i) **Right of first refusal.** If any holder proposes to transfer any Option Shares prior to the Initial Public Offering (as defined under the scheme rules), other than in the case of a Permitted Transfer (as provided at paragraph (l)(iii) above) or an Involuntary or Donative Transfer (as provided at paragraph (m)(ii) below), the Company has an assignable right of first refusal to repurchase such Shares at such price equal to the price offered by the intended transferee to the holder of the Option Shares, subject to the other terms and conditions set out in the scheme rules.
- (ii) **Right of repurchase.** Following any Involuntary Transfer or Donative Transfer of Option Shares prior to the Initial Public Offering (as defined under the scheme rules), the Company has the assignable right to repurchase from the transferee of the Transferred Shares ("**Transferee**") all or a portion of such shares for a repurchase price that is equal to the fair market value of those shares as at the date of such transfer, subject to the other terms and conditions set out in the scheme rules.

For such purpose, "**Involuntary Transfer**" means an involuntary transfer of the Option Shares, which includes, among other situations, an execution of judgment against the Option Shares or the acquisition of record or beneficial ownership of the Option Shares by a lender or creditor. "**Donative Transfer**" means any voluntary transfer of the Option Shares by a transferor other than for value or the payment of consideration to the transferor.

*(n) Following a termination of eligibility status*

Following any termination of eligibility status of the holder of any Option Shares, the Company has the assignable right (but not the obligation) to repurchase from the holder of those Option Shares at such repurchase price specified under the terms and conditions of the scheme rules; provided that the right to repurchase shall terminate upon the Initial Public Offering.

With respect to the granted but unvested options, such options will automatically lapse following any termination of eligibility status of the holder.

With respect to the vested but unexercised options, the general Grace Period for the options to remain exercisable following the termination event is thirty (30) days, unless the termination is (i) as a result of death or disability of the optionee (where the Grace Period for such situation would be six (6) months) or (ii) for cause where there will be no Grace Period.

*(o) Adjustments*

In the event of any change in the outstanding Shares of the Company as a result of a stock split, reverse stock split, stock bonus or distribution, recapitalization, combination or reclassification any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar change affecting the Shares, appropriate proportionate adjustments will be made by the Board.

*(p) Amendment and Termination*

The Board may amend, suspend or discontinue the scheme at any time or from time to time; provided that no action of the Board will, without the approval of the shareholders of the Company, materially increase (other than by reason of an adjustment pursuant to terms and conditions of the scheme rules) the maximum aggregate number of Option Shares in the option pool, materially increase the benefits accruing to Eligible Participants, or materially modify the category of, or eligibility requirements for persons who are Eligible Participants.

However, except as provided under the scheme rules, no such action may alter or impair any options previously granted under the scheme without the consent of the relevant optionee, nor may the number of Option Shares in the option pool be reduced to a number that is less than the aggregate number of Option Shares (i) that may be issued pursuant to the exercise of all outstanding and unexpired options granted, and (ii) that have been issued and are outstanding pursuant to the exercise of options granted thereunder.

*(q) Outstanding options granted under the 2005 Pre-IPO Share Option Scheme*

As at the Latest Practicable Date, options to subscribe for an aggregate of 100,000 Shares under the 2005 Pre-IPO Share Option Scheme, representing approximately 0.03% of the enlarged issued shares of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme), are outstanding.

As the 2005 Pre-IPO Share Option Scheme has expired, no further options can be granted as at the Latest Practicable Date, and so no further options will be granted under the scheme after the Listing Date.

*(ii) YesAsia Holdings 2016 General Stock Option Plan (the “2016 Pre-IPO Share Option Scheme”)*

The 2016 Pre-IPO Share Option Scheme was adopted as a second pre-IPO share option scheme of the Company by the shareholders in a general meeting held on 30 June 2016, and was further amended and restated on 28 June 2018 and 30 June 2020.

The principal terms of the 2016 Pre-IPO Share Option Scheme are substantially the same as the principal terms of the 2005 Pre-IPO Share Option Scheme (see paragraph (i) above for a summary of the principal terms), save for the following terms which are different.

*(a) Purpose*

The purpose of the 2016 Pre-IPO Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to attract and retain qualified employees by providing them with an opportunity for investment in the Company. The options granted under the 2016 Pre-IPO Share Option Scheme represent the right by the grantee thereof to acquire ordinary shares in the Company subject to the terms and conditions of the 2016 Pre-IPO Share Option Scheme and the individual option grant letter agreement executed between the Company and the relevant grantee (also known as the Option Agreement).

*(b) Eligibility*

The Company (via the Administrator) may grant options under the scheme to persons who, at the time of such grant, are employees of the Company only (also known as the Eligible Participants). No person will be an Eligible Participant following his or her termination of eligibility status and no option may be granted to any person other than an Eligible Participant; and there is no limitation on the number of options that may be granted to each Eligible Participant.

*(c) Maximum number of Shares*

Under the scheme rules, the maximum number of Option Shares that the Company may issue, as adjusted following the Share Split, is 46,000,000 ordinary shares of the Company. Options lapsed or cancelled in accordance with the terms of these scheme rules or those Option Shares that may be reacquired by the Company by repurchase or otherwise shall not be counted for the purpose of calculating whether such maximum number has been exceeded.

Following the Share Split which took effect on 9 June 2021, each grantee shall receive ten (10) Option Shares for each outstanding option exercised. Option Shares will rank *pari passu* in all respects with the then existing issued ordinary shares in the capital of the Company and will be subject to all the provisions of the articles of association of the Company.

*(d) Restrictions on transfer*

- (i) **Options nontransferable.** No option will be transferable by an optionee for whatever reasons. Options will be exercisable only by the optionee. For the avoidance of doubt, an option, whether vested or unvested, will automatically lapse and cease to be exercisable upon the death of the optionee.
- (ii) **Prohibited transfers.** Prior to the Initial Public Offering (as defined under the scheme rules), no holder of any Option Shares may transfer such shares, or any interest therein unless: (i) the holder has obtained the prior approval of the Board; and (ii) the transfer is in full compliance with all applicable laws and any applicable restrictions on transfer provided in the Company's articles of association. All transfers of Option Shares not complying with the specific limitations and conditions set forth in the scheme rules are expressly prohibited. Any prohibited transfer is void and of no effect, and no purported transferee in connection therewith will be recognized as a holder of Option Shares for any purpose whatsoever. If such prohibited transfer is purported to occur, the Company may refuse to carry out the transfer in its books, attempt to set aside the transfer, enforce any undertakings or rights under the scheme rules, or exercise any other legal or equitable remedy.
- (iii) **Conditions to transfer.** It will be a condition to any transfer of Option Shares that: (i) the transferee will execute such documents as the Company may reasonably require to ensure that the Company's rights under these scheme rules, and any applicable Option Agreement, are adequately protected with respect to such Option Shares, including, without limitation, the transferee's agreement to be bound by all of the terms and conditions of these scheme rules and the corresponding Option Agreement, as if he or she were the original holder of such Option Shares; (ii) the Company is satisfied that such transfer complies in all respects with the requirements imposed by applicable laws, regulations and the Company's articles of association; and (iii) the Company's private company status could be maintained after the transfer and registration, provided that this condition shall cease to have effect upon the Initial Public Offering (as defined under the scheme rules).

*(e) Company's rights of first refusal and repurchase of Option Shares prior to the Initial Public Offering*

The Company has the following rights of first refusal and repurchase with respect to the Option Shares prior to the Initial Public Offering (as defined under the scheme rules):

- (i) **Right of first refusal.** If any holder proposes to transfer any Option Shares prior to the Initial Public Offering (as defined under the scheme rules), the Company has an assignable right of first refusal to repurchase such Shares at such price equal to the price offered by the intended transferee to the holder of the Option Shares, subject to the other terms and conditions set out in the scheme rules.
- (ii) **Right of repurchase.** Following an Involuntary Transfer prior to the Initial Public Offering (as defined under the scheme rules), the Company has the assignable right to repurchase from the transferee of the Transferred Shares all or a portion of such shares for a repurchase price that is equal to the fair market value of those shares as at the date of such transfer, subject to the other terms and conditions set out in the scheme rules.

*(f) Following a Termination of Eligibility Status*

Following any termination of eligibility status of the holder of any Option Shares, the Company has the assignable right (but not the obligation) to repurchase from the holder of those Option Shares at such repurchase price specified under the terms and conditions of the scheme rules; provided that the right to repurchase shall terminate upon the Initial Public Offering.

With respect to the granted but unvested options, such options will automatically lapse following any termination of eligibility status of the holder.

With respect to the vested but unexercised options, the general Grace Period for the options to remain exercisable following the termination event is thirty (30) days, unless the termination is (i) as a result of death of the optionee or (ii) for cause where there will be no Grace Period and the options will automatically terminate and will not be exercisable with immediate effect.

*(g) Outstanding options granted under the 2016 Pre-IPO Share Option Scheme*

As at the Latest Practicable Date, options to subscribe for an aggregate of 24,076,680 Shares under the 2016 Pre-IPO Share Option Scheme, representing approximately 6.09% of the enlarged issued shares of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme), are outstanding.

No further options will be granted under any of the Pre-IPO Share Option Schemes after the Listing Date.

*(iii) Summary of the outstanding options granted but not yet exercised under the Pre-IPO Share Option Schemes*

We have applied for and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up And Miscellaneous Provisions) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(l)(b) of and paragraph 27 of Appendix IA to the Listing Rules in connection with the information of the options granted under the Pre-IPO Share Option Schemes. For further details, please refer to the section headed “Waiver and Exemption from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) — Waiver and Exemption in Relation to the Pre-IPO Share Option Schemes” in this Prospectus.

As at the Latest Practicable Date, there were altogether one (1) outstanding option holder under the 2005 Pre-IPO Share Option Scheme and 125 outstanding option holders under the 2016 Pre-IPO Share Option Scheme. Under the 2005 Pre-IPO Share Option Scheme, the only outstanding option holder is a Director. Under the 2016 Pre-IPO Share Option Scheme, the 125 outstanding option holders include two (2) Directors, five (5) members of the senior management, one (1) connected person grantee who is not a Director or member of the senior management of our Company and 117 other employees of our Group. No consideration was required to be paid for the grant of options under the Pre-IPO Share Option Schemes.

Details of the unexercised options granted under the Pre-IPO Share Option Schemes as at the Latest Practicable Date are set out below:

(a) 2005 Pre-IPO Share Option Scheme

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2005 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Director of our Company</b>								
Mr. Lau	Executive Director and CEO	Please refer to "Directors and Parties Involved in the Global Offer – Directors"	US\$0.50	100,000	25 July 2013	All vested	Till 25 July 2023	0.025%
<b>Total:</b>				<b>100,000</b>				<b>0.025%</b>

*Note:*

- (1) Assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme.

During the Track Record Period, there were transfers of share options held by the Directors as these transfers were part of the remuneration package to employees. To increase the attractiveness of the options to retain employees, the share options were held by the Directors initially so as to allow earlier commencement of the vesting period, which results in such share options being able to be vested partially once such share options were transferred by the Directors to the employees. All of the transferees were employees. Save as disclosed above, such employees did not have any relationship with the Directors. No consideration was involved for these transfers.

The following sets out the identities and background of the respective transferors (who are the Directors of the Company) and transferees:

Transferor	Transferee	Number of share options	Transferred during	Relationship with Transferors
Lau Kwok Chu	1. Chan Ka Kit	30,000	1 January 2018– 31 December 2018	Employees
	2. Chu Pui King	30,000		
	3. Chung Pui Ha	30,000		
	4. Hui Chik Keung	20,000		
	5. Keung Shun Yin	30,000		
	6. Kwok Chi Wai	40,000		
	7. Leung Man Kit	20,000		
	8. Wan Siu Chung	50,000		
	9. Wong Hoi Kin	40,000		
	<b>Total</b>	<b>290,000</b>		
Wong Shuet Ha	1. Tai Ching Ngai	50,000	1 January 2018– 31 December 2018	Employees
	<b>Total</b>	<b>50,000</b>		
Lau Kwok Chu	1. Hung Man Ying	50,000	1 January 2019– 31 December 2019	Employees
	2. Ng Sai Cheong	25,000		
	3. Cheng Hon Lam	10,000		
	4. Cheng Pui Ying	10,000		
	5. Cheung Cheuk Kin	20,000		
	6. Alexander Cheung Chan	10,000		
	7. Erik Hohmann	25,000		
	8. Jang Jisu	10,000		
	9. Lam Ka Yi	10,000		
	10. Pauline Lay	20,000		
	11. Nerissa Stacey Lo	10,000		
	<b>Total</b>	<b>200,000</b>		
Chu Lai King	1. Gladys Albuero Baluyos	20,000	1 January 2019– 31 December 2019	Employees
	2. Leung Chi Yuen	30,000		
	3. Liu Wai Lap	20,000		
	4. Ma Ping Cheung	20,000		
	5. Wong Man Kee	20,000		
	<b>Total</b>	<b>110,000</b>		

Transferor	Transferee	Number of share options	Transferred during	Relationship with Transferors
Wong Shuet Ha	1. Ng Sai Cheong	25,000	1 January 2019– 31 December 2019	Employees
	2. Ng Sai Cheong	50,000		
	3. Tang Wai Han	<u>25,000</u>		
	<b>Total</b>	<b><u>100,000</u></b>		
Lau Kwok Chu	1. Erik Hohmann	5,000	1 January 2020– 31 December 2020	Employees
	2. Chung Pui Ha	20,000		
	3. Pauline Lay	10,000		
	4. Nerissa Stacey Lo	10,000		
	5. Wong Shuet Kwan	10,000		
	6. Connie Luong	10,000		
	7. Mak Ka Hei	10,000		
	8. Alenxander Cheung Chan	5,000		
	9. Jang Jisu	5,000		
	10. Cheung Cheuk Kin	10,000		
	11. Cheng Hon Lam	10,000		
	12. Cheng Pui Ying	5,000		
	13. Gao Texuan	<u>10,000</u>		
	<b>Total</b>	<b><u>120,000</u></b>		
Wong Shuet Ha	1. Wong Yuk Chu	10,000	1 January 2020– 31 December 2020	Employees
	2. Ngan Wai Ling	<u>10,000</u>		
	<b>Total</b>	<b><u>20,000</u></b>		

Save as disclosed above and in the prospectus, no other share options holders had transferred their options during the Track Record Period.

*(b) 2016 Pre-IPO Share Option Scheme*

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Directors of our Company</b>								
Mr. Lau	Executive Director and CEO	Please refer to “Directors and Parties Involved in the Global Offer — Directors”	US\$0.80	1,800,000	28 July 2016	All vested	Till 28 July 2026	0.455%
			US\$1.55	1,800,000	15 August 2019	In progress, starting on 15 August 2019 till 15 August 2023	Till 15 August 2029	0.455%
Ms. Chu	Executive Director, Chair of the Board and Vice President of Operations	Please refer to “Directors and Parties Involved in the Global Offer — Directors”	US\$0.80	600,000	28 July 2016	All vested	Till 28 July 2026	0.152%
<b>Subtotal:</b>				<b>4,200,000</b>				<b>1.062%</b>

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Senior Management of our Company</b>								
Fung Man Yee	Vice President of Consumer Business	Flat B, 9/F, Roc Ye Court, 11 Robinson Road, Mid-Levels, Hong Kong	US\$2.01	1,000,000	29 October 2020	In progress, starting on 29 October 2020 till 5 October 2024	Till 29 October 2030	0.253%
Erik Hohmann	Vice President of Marketing	Flat 1308, Kiu Fai Mansion, 413-423 King's Road, North Point, Hong Kong	US\$1.20	156,250	26 July 2018	In progress, starting on 1 May 2018 till 1 May 2022	Till 26 July 2028	0.040%
			US\$1.55	375,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.095%
			US\$2.01	100,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.025%
Kim In Sook	Vice President of Business and Development	Flat D, 48/F., Block 6, Coastal Skyline, 12 Tung Chung Waterfront Road, New Territories, Hong Kong	US\$1.20	156,250	26 July 2018	In progress, starting on 1 April 2018 till 1 April 2022	Till 26 July 2028	0.040%
			US\$1.55	5,620	25 April 2019	In progress, starting on 25 April 2019 till 25 April 2023	Till 25 April 2029	0.001%
			US\$2.01	100,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.025%
			US\$2.01	100,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.025%
Ng Sai Cheong	Chief Financial Officer and Company Secretary	Flat 7, 8/F, Block 2, Heng Fa Chuen, 100 Shing Tai Road, Chai Wan, Hong Kong	US\$1.20	500,000	24 January 2019	In progress, starting on 1 January 2019 till 1 January 2023	Till 24 January 2029	0.126%
			US\$2.01	100,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.025%

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
Wan Siu Chung	Vice President of Information Technology	Flat G, 22/F, Tower 5, Manhattan Hill, No. 1 Po Lun Street, Lai Chi Kok, Hong Kong	US\$1.20	156,250	26 July 2018	In progress, starting on 1 April 2018 till 1 April 2022	Till 26 July 2028	0.040%
			US\$1.55	5,750	25 April 2019	In progress, starting on 25 April 2019 till 25 April 2023	Till 25 April 2029	0.001%
			US\$2.01	100,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.025%
<b>Subtotal:</b>				<b>2,855,120</b>				<b>0.722%</b>

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Connected Person grantee who is not a Director or member of the senior management of our Company</b>								
Chu Pui King	Reporting Manager	15B, Block 7, Liberte, Lai Chi Kok, Kowloon, Hong Kong	US\$2.01	30,000	23 April 2020	In progress starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.008%
<b>Subtotal:</b>				<b>30,000</b>				<b>0.008%</b>

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Employees who are not Directors, members of the senior management or Connected Persons of our Company with options representing the right to subscribe for at least 260,000 Shares</b>								
Chan Man Ting	Senior Product Manager	Flat 4, 5/F, Block A, Allway Gardens, Tsuen Wan, Hong Kong	US\$1.55	62,500	15 August 2019	In progress, starting on 15 August 2019 till 15 August 2023	Till 15 August 2029	0.016%
			US\$1.55	75,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.019%
			US\$2.01	10,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.003%
			US\$2.01	100,000	29 October 2020	In progress, starting on 29 October 2020 till 29 October 2024	Till 29 October 2030	0.025%
			US\$2.01	30,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.008%

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
Chan Wai Yan	Senior Product Manager	Room 228, Shun Wo House, Wo Che Estate, Shatin, New Territories, Hong Kong	US\$2.01	100,000	29 October 2020	In progress, starting on 29 October 2020 till 29 October 2024	Till 29 October 2030	0.025%
			US\$2.01	100,000	28 January 2021	In progress, starting on 28 January 2021 till 28 January 2025	Till 28 January 2031	0.025%
			US\$2.01	120,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.030%
Choi Hau Ching	Senior Product Manager	Flat 1403, Kwai Tai House, Kwai Fong Estate, Kwai Fong, New Territories, Hong Kong	US\$1.55	80,000	15 August 2019	In progress, starting on 15 August 2019 till 15 August 2023	Till 15 August 2029	0.020%
			US\$2.01	100,000	29 October 2020	In progress, starting on 29 October 2020 till 29 October 2024	Till 29 October 2030	0.025%
			US\$2.01	100,000	28 January 2021	In progress, starting on 28 January 2021 till 28 January 2025	Till 28 January 2031	0.025%
Dalziel Henry James Roy	Senior SEO Manager	Flat 1A, Tower 5, Redhill Peninsula, 18 Pak Pat Shan Road, Tai Tam, Stanley, Hong Kong	US\$2.01	300,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.076%
Kwok Chi Wai	Senior Digital Development Director	Flat B, 2/F., Block 16, Sereno Verde, 99 Tai Tong Road, Yuen Long, New Territories, Hong Kong	US\$1.20	62,500	26 July 2018	In progress, starting on 1 April 2018 till 1 April 2022	Till 26 July 2028	0.016%
			US\$1.55	5,620	25 April 2019	In progress, starting on 25 April 2019 till 25 April 2023	Till 25 April 2029	0.001%
			US\$2.01	250,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.063%
Lam Kui Yin Collin	Chief People Officer	Flat D, 11F, East Block, 10 Shiu Fai Terrace, Mandarin Villa, Wan Chai, Hong Kong	US\$2.01	1,000,000	25 February 2021	In progress, starting on 25 February 2021 till 25 February 2025	Till 25 February 2031	0.253%
Lam Ngai Fong	Product Director	Flat B, 40/F, Tower 3, Metro City Phase 1, Po Lam, New Territories, Hong Kong	US\$0.80	6,250	27 April 2017	All vested	Till 27 April 2027	0.002%
			US\$1.20	50,000	24 January 2019	In progress, starting on 24 January 2019 till 24 January 2023	Till 24 January 2029	0.013%
			US\$1.55	150,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.038%
			US\$2.01	30,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.008%
			US\$2.01	50,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.013%

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
Liu Wai Lap	Logistics Director	Room 2106, 21/F, Lok Chung House, Mei Chung Court, Tai Wai, New Territories, Hong Kong	US\$1.55	5,620	25 April 2019	In progress, starting on 25 April 2019 till 25 April 2023	Till 25 April 2029	0.001%
			US\$2.01	120,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.030%
			US\$2.01	230,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.058%
Man Wenbo Melaine	Senior Marketing Manager	Flat G, 8/F, Block 3, Kwai Chung Plaza, Kwai Fong, New Territories, Hong Kong	US\$2.01	200,000	30 July 2020	In progress, starting on 30 July 2020 till 30 July 2024	Till 30 July 2030	0.051%
			US\$2.01	100,000	28 January 2021	In progress, starting on 28 January 2021 till 28 January 2025	Till 28 January 2031	0.025%
			US\$2.01	20,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.005%
Tsang Ching Man	Senior Human Resources Manager	Flat 103, 1/F, Peony House, 63 Tai Kok Tsui Road, Kowloon	US\$1.55	150,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.038%
			US\$2.01	120,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.030%
Wong Hoi Kin	Senior Digital System Development Director	Flat D, 31/F, Block 2, Metro City Phase 2, Tseung Kwan O, Hong Kong	US\$1.20	62,500	26 July 2018	In progress, starting on 1 April 2018 till 1 April 2022	Till 26 July 2028	0.016%
			US\$1.55	5,620	25 April 2019	In progress, starting on 25 April 2019 till 25 April 2023	Till 25 April 2029	0.001%
			US\$2.01	250,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.063%
Wong Kit Chi	Senior Product Manager	Flat E, 23/F, Block 10, Grandeur Terrace, Tin Shui Wai, New Territories, Hong Kong	US\$1.55	62,500	15 August 2019	In progress, starting on 15 August 2019 till 15 August 2023	Till 15 August 2029	0.016%
			US\$1.55	75,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.019%
			US\$2.01	20,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.005%
			US\$2.01	100,000	29 October 2020	In progress, starting on 29 October 2020 till 29 October 2024	Till 29 October 2030	0.025%
			US\$2.01	30,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.008%

Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
Yeung Chin Lung Nicky	Senior Product Manager	Room 715, Shek Fai House, Chun Shek Estate, Shatin, New Territories, Hong Kong	US\$1.55	62,500	15 August 2019	In progress, starting on 15 August 2019 till 15 August 2023	Till 15 August 2029	0.016%
			US\$1.55	75,000	6 February 2020	In progress, starting on 6 February 2020 till 6 February 2024	Till 6 February 2030	0.019%
			US\$2.01	20,000	23 April 2020	In progress, starting on 23 April 2020 till 23 April 2024	Till 23 April 2030	0.005%
			US\$2.01	100,000	29 October 2020	In progress, starting on 29 October 2020 till 29 October 2024	Till 29 October 2030	0.025%
			US\$2.01	30,000	29 April 2021	In progress, starting on 29 April 2021 till 29 April 2025	Till 29 April 2031	0.008%
<b>Subtotal:</b>				<b>4,620,610</b>				<b>1.169%</b>
Name of grantee	Position held within our Group	Address	Exercise Price	Number of outstanding Shares under the 2016 Pre-IPO Share Option Scheme	Date of Grant	Vesting status of the pre-IPO Share Options	Period of exercise of pre-IPO Share Options	Approximate percentage of shareholding immediately following the completion of the Global Offering <sup>(1)</sup>
<b>Other grantees</b>								
104 other grantees each of which held options representing the right to subscribe for not more than 260,000 Shares	–	–	US\$0.80–US\$2.01	12,370,950	–	All options shall become vested on the fourth anniversary of the respective vesting start date	10 years from the respective date of grant	3.129%
<b>Subtotal:</b>				<b>12,370,950</b>				<b>3.129%</b>
<b>Total</b>				<b>24,076,680</b>				<b>6.089%</b>

*Note:*

- (1) Assuming the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grant of options will be made under the Post-IPO Share Option Scheme.

The total unexercised options granted under the Pre-IPO Share Option Schemes represent approximately 6.11% of the enlarged issued shares of our Company immediately after completion of the Global Offering (assuming that the Over-allotment Option and the outstanding options granted under the Pre-IPO Share Option Schemes are not exercised and no grants of options will be made under the Post-IPO Share Option Scheme). If all the unexercised options granted under the Pre-IPO Share Option Schemes are exercised, there would be a dilution effect on (i) the shareholdings of our Shareholders and

(ii) earnings per Share of approximately 6.11%. However, as the options are subject to the applicable vesting period, any such dilutive effect on earnings per Share will be staggered over several years.

An application has been made to the Listing Committee for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the unexercised options which were granted pursuant to the Pre-IPO Share Option Schemes.

## 2. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the share option scheme (the “**Post-IPO Share Option Scheme**”) conditionally adopted by the resolutions of our Shareholders passed at an extraordinary general meeting held on 13 March 2021.

### *(a) Purpose of the Post-IPO Share Option Scheme*

The purpose of the Post-IPO Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to attract and retain qualified employees or directors of the Company and/or its subsidiaries by providing them with an opportunity for investment in the Company. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

### *(b) Selected participants to the Post-IPO Share Option Scheme*

Any individual, being an employee or director of our Company and/or its subsidiaries who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

### *(c) Maximum number of Shares*

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 39,539,079, being the maximum 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Option Scheme Mandate Limit**”) (excluding any Shares which may be issued pursuant to the exercise of the outstanding options granted under the Pre-IPO Share Option Schemes). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time must not exceed 30% of the Shares in issue from time to time (the “**Option Scheme Limit**”). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

*(d) Maximum entitlement of a grantee*

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

*(e) Performance target*

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

*(f) Subscription price*

The amount payable for each Share to be subscribed for under an option (“**Subscription Price**”) in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

- (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant.

*(g) Vesting Schedule*

Subject to the scheme rules, the terms and conditions under the Option Agreement and the applicable laws, rules and regulations (including the Listing Rules), the default vesting schedule shall be:

- (i) 25% of all the options granted will become vested on the first anniversary of the vesting start date as specified in the Option Agreement (the “**Vesting Start Date**”, which may be earlier but may not be later than the option grant date);
- (ii) 6.25% of the options granted will become vested as at the end of each three month period after the Vesting Start Date, such that all of the options with the same Vesting Start Date shall become vested on the fourth anniversary of the Vesting Start Date;

provided that, among others, (x) the optionee does not suffer a termination of eligibility status prior to each such vesting date and (y) the additional vesting will be suspended during any period which the optionee is on a leave of absence from the Group, as determined by the Administrator.

*(h) Rights are personal to grantee*

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option.

*(i) Options granted to directors or substantial shareholders of our Company*

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. All core connected persons of our Company shall abstain from voting at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

***(j) Grant offer option agreement***

An offer shall be made to selected participants by an option agreement which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the option agreement comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of our Company of such amount as required in the option agreement by way of consideration for the grant thereof, which must be received by our Company within the specified timeframe.

***(k) Restriction of grant of options***

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Shares by

the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

***(l) Time of exercise of an option***

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that, among other things, the option is thereby exercised and the number of Shares in respect of which it is exercised.

***(m) Cancellation of options***

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being canceled by our Company. Any options granted but not exercised may be canceled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the canceled options) and in compliance with the terms of the Post-IPO Share Option Scheme and the applicable laws, rules and regulations (including the Listing Rules).

***(n) Lapse of option***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board (or its designated representative) to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (also known as the Option Period);

- (ii) the expiry of any of the periods for exercising the option as referred to in paragraphs (q), (r) and (s) below; and
- (iii) the date on which the grantee commits a breach of the rules of the Post-IPO Share Option Scheme, if so approved by the Board (or its designated representative).

***(o) Voting and dividend rights***

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

***(p) Adjustment upon changes in the share capital of our Company***

In the event of any change in the outstanding Shares of our Company as a result of a share split, reverse share split, share bonus or distribution, recapitalization, combination or reclassification, appropriate proportionate adjustments will be made to: (i) the aggregate number of Shares that are reserved for issuance in the option pool, under outstanding options or future options granted hereunder; (ii) the option price and the number of option shares that may be acquired under each outstanding option granted hereunder; and (iii) other rights and matters determined on a per share basis under the Post-IPO Share Option Scheme or any option agreement evidencing an outstanding option granted hereunder. Any such adjustments will be made only by the Board in compliance with the Listing Rules requirement, and when so made will be effective, conclusive and binding for all purposes with respect to the Post-IPO Share Option Scheme and all options then outstanding. No such adjustments will be required by reason of the issuance or sale by the Company for cash or other consideration of additional Shares or securities convertible into or exchangeable for Shares, or repurchase of Shares by our Company.

***(q) Termination of Eligibility Status of a Grantee***

Following a termination of eligibility status of a grantee (which means termination of the grantee's employment or engagement with our Company, whether by the Company or the grantee, and whether voluntary or involuntary, including without limitation as a result of the death or disability of the grantee), the maximum period (the "**Grace Period**") following such termination whether the grantee's options will still be exercisable is as follows:

- (i) the Grace Period will be thirty (30) days, unless the termination of eligibility status is a result of a termination for cause or the death or disability of the grantee;

- (ii) where the termination of eligibility status is a result of a termination for cause or the death or disability of the grantee, there will be no Grace Period and the option will automatically terminate and will not be exercisable with immediate effect, regardless of whether the option is vested or unvested.

***(r) Rights on takeover and schemes of compromise or arrangement***

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between our Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

***(s) Rights on a voluntary winding up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the

proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

***(t) Ranking of shares***

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

***(u) Duration***

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date, unless it is terminated earlier pursuant to the terms of the Post-IPO Share Option Scheme, after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme; but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

***(v) Alteration of the Post-IPO Share Option Scheme***

The Board may, subject to the rules of the Post-IPO Share Option Scheme, amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time, provided that no action of the Board will, without the approval of the Shareholders and among other things, materially increase the maximum aggregate number of option shares in the option pool and materially increase the benefits accruing to the grantees.

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Law or the Takeovers Code.

***(w) Termination***

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

**E. OTHER INFORMATION****1. Estate duty**

Our Directors have been advised that no material liability for estate duty is like to fall on our Company or any of our subsidiaries.

**2. Deed of Indemnity**

Mr. Lau and Ms. Chu, being our Controlling Shareholders, have entered into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

- a) all costs, expenses, interests, penalties, damages or other liabilities which we may incur in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of any suppliers of Korean beauty products in connection with our non-compliance of any and all applicable selling restrictions contractually agreed and effectively imposed on us, see the section headed “Business — Supplier Selection and Arrangement” to this prospectus;
- b) all costs, expenses, interests, penalties or other liabilities which we may incur in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of any person, authority or body in connection with our non-compliance of our indirect tax obligations, see the section headed “Business — Taxation and Related Arrangements” to this prospectus; and
- c) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

- a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the years ended 31 December 2018, 2019 and 2020 (the “Accounts”); or

- b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2020 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be an company in our Group for the purposes of any matter of the taxation; or
- c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or any relevant tax authorities or any other relevant authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or
- d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

### **3. Litigation**

As at the Latest Practicable Date, save as disclosed in the section headed “Business — Litigation and Claims” in this prospectus, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

### **4. Preliminary expenses**

The preliminary listing expenses of the Global Offering are estimated to be approximately HK\$31.7 million and are payable by our Company.

### **5. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

**6. Application for Listing**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Shares to be issued as mentioned in this prospectus, any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of the outstanding options granted under the Pre-IPO Share Option Schemes and to be granted under the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

**7. No material adverse change**

Our Directors confirm that there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 31 December 2020, the date of the latest audited consolidated financial statements of our Group, and up to the date of this prospectus.

**8. Underwriting commission**

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Total commission and expenses” in this prospectus.

**9. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinions and/or advice in this prospectus:

<b>Name</b>	<b>Qualifications</b>
UOB Kay Hian (Hong Kong) Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified Public Accountants
RSM Consulting (Hong Kong) Limited	Internal Control Consultant
RSM Tax Advisory (Hong Kong) Limited	Transfer Pricing Adviser
RSM Consulting (Hong Kong) Limited	IT Consultant
PricewaterhouseCoopers Limited	Indirect Tax Consultant
Frost & Sullivan Limited	Industry Consultant

<b>Name</b>	<b>Qualifications</b>
Hogan Lovells	Legal advisors to our Company as to International Sanctions Law
Gamma Law, Professional Corporation	Legal advisors to our Company as to US Laws
Chaeum Attorneys At Law	Legal advisors to our Company as to South Korea Laws
Nakamoto and Nakamoto	Legal advisors to our Company as to Japan Laws
Mr. Clay Huen	Hong Kong barrister-at-law

#### **10. Consents of experts**

Each of the experts named in the paragraph headed “E — Other Information — 9. Qualifications of experts” of this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

Save as otherwise disclosed in this prospectus, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in our Company or any of its subsidiaries.

#### **11. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### **12. Independence of sponsor and sponsor’s fee**

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by our Company a total fee of approximately HK\$5.0 million to act as sponsor to our Company in connection with the Global Offering.

### 13. Taxation of holders of Shares

#### *(i) Hong Kong*

The sale, purchase and transfer of our Shares will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

#### *(ii) Consultation with professional advisors*

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

### 14. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (vi) none of the parties (save in connection with the Underwriting Agreements) listed in the paragraph headed “E. Other Information — 9. Qualifications of experts” in this appendix:
  - (a) is interested legally or beneficially in any securities of any member of our Group;
  - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; or
  - (c) has received any commission, discount, agency fee, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (vii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (viii) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (ix) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (x) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (xi) there is no arrangement under which future dividends have been waived;
- (xii) our Group has no outstanding convertible debt securities or debentures; and
- (xiii) the English text of this prospectus shall prevail over the Chinese text.

#### **15. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (1) copies of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms;
- (2) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other Information — 10. Consents of experts” in Appendix IV to this prospectus; and
- (3) copies of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Ropes & Gray at 44th Floor, One Exchange Square 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Articles of Association of our Company;
- (2) the Accountant’s Report of our Group prepared by RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for FY2018, FY2019 and FY2020 prepared by RSM Hong Kong;
- (4) the report prepared by RSM Hong Kong on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the transfer pricing report prepared by RSM Tax Advisory (Hong Kong) Limited;
- (6) the customs and income tax report prepared by RSM Tax Advisory (Hong Kong) Limited;
- (7) the IT audit report prepared by RSM Consulting (Hong Kong) Limited;
- (8) the internal control report prepared by RSM Consulting (Hong Kong) Limited;
- (9) the indirect tax report prepared by PricewaterhouseCoopers Limited;
- (10) the industry report prepared by Frost and Sullivan;
- (11) the legal opinion issued by the Hong Kong Counsel;

- (12) the legal opinions issued by the US Legal Advisors;
- (13) the legal opinion issued by Chaeum Attorneys At Law, our Company's South Korea legal advisors;
- (14) the legal opinion issued by Nakamoto and Nakamoto, our Company's Japan legal advisors;
- (15) the legal opinion issued by Mr. Clay Huen;
- (16) the legal memorandum issued by Hogan Lovells in respect of relevant International Sanctions applicable to our Group;
- (17) the Companies Ordinance;
- (18) the service contracts and letters of appointment of our Directors referred to in the paragraph headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus;
- (19) the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further Information about the Business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus;
- (20) the written consents referred to in the paragraph headed "Statutory and General Information — E. Other Information — 10. Consents of experts" in Appendix IV to this prospectus; and
- (21) the terms of the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme and a list of all outstanding grantees under the Pre-IPO Share Option Schemes.



**YesAsia Holdings Limited**  
**喆麗控股有限公司**