Post Hearing Information Pack of

MOKINGRAN JEWELLERY GROUP CO., LTD.
夢金園黃金珠寶集團股份有限公司

(the "**Company**")

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

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MOKINGRAN JEWELLERY GROUP CO., LTD.
夢金園黃金珠寶集團股份有限公司

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

[REDACTED]

Number of [REDACTED] under [REDACTED]	**:**	**[REDACTED] [REDACTED] [(subject to the [REDACTED])]**
Number of [REDACTED]	**:**	**[REDACTED] [REDACTED] (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] [REDACTED] [(subject to [REDACTED] and the [REDACTED])]**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong Dollars, subject to refund)**
Nominal Value	**:**	**RMB[1.00] per [REDACTED]**
[REDACTED]	**:**	**[●]**

Sole Sponsor, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]

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A copy of this document, having attached thereto the documents specified in Appendix VIII "Documents Delivered to the Registrar of Companies and Available on Display" to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] and, in any event, not later than 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] and is currently expected to be not less than HK$[REDACTED]. Applicants for [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK$[REDACTED] for each [REDACTED] together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] should be lower than HK$[REDACTED]. If, for any reason, the [REDACTED] and us are unable to reach an agreement on the [REDACTED] by 12:00 noon on [REDACTED], the [REDACTED] will not proceed and will lapse.

We are established, and a majority of our business is located, in the PRC. Potential [REDACTED] should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential [REDACTED] should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the [REDACTED]. Such differences and risk factors are set out in "Risk Factors", "Appendix V — Summary of Principal Laws and Regulations" and "Appendix VI — Summary of Articles of Association".

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] if certain grounds arise prior to 8:00 a.m. on the day that trading in the [REDACTED] commences on the Stock Exchange. Such grounds are set out in the section headed [REDACTED] in this document.

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the risks involved in investing in the [REDACTED] are set out in the "Risk Factors" section of this document. You should read that section carefully before you decide to invest in the [REDACTED]. There are unique challenges, risks and uncertainties associated with investing in companies like ours. Your [REDACTED] decision should be made in light of these considerations.

OVERVIEW

We are a gold jewellery Original Brand Manufacturer ("**OBM**"), focusing on markets in third and lower-tier cities in the PRC. According to Frost & Sullivan, as of the Latest Practicable Date, we were one of the very few with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network. Over the years, we grew our business leveraging the ability to integrate design and production capabilities, delivering high quality gold jewellery products that appeals to our target consumers. With high-purity gold jewellery products at our core, we have established a diversified sales network, through which we gain insight into market trends, which in turn contributes to product design and development catering to specific consumer demands, forming a positive feedback loop. We have been committed to such a proposition since inception, which we believe is also the foundation to our success. Our founder, Mr. Wang Zhongshan, gained accolades include being named as the honorable person in the gold and jewellery industry for 30 years (黃金珠寶行業30年風雲人物"功勛人物"稱號).

Market Ranking

According to Frost & Sullivan, from 2018 to 2023, we were the only gold jewellery brand in the PRC that had been ranked consecutively in the top five of both the "Top Ten Enterprises in Gold Jewellery Processing Volume" and the "Top Ten Enterprises in Gold Jewellery Sales Revenue" by the China Gold Association. According to China Gold Association and Frost & Sullivan, in 2023, we were ranked:

- third and fifth by gold processing volume and gold jewellery revenue, respectively, amongst gold jewellery brands in the PRC; and
- third in terms of gold jewellery revenue (excluding gold bullion) in third and lower tier cities amongst gold jewellery brands in the PRC.

According to Frost & Sullivan, for the year ended December 31, 2023, our Group ranked fifth and had a market share of 3.8% in the gold jewellery market amongst gold jewellery brands in the PRC in terms of gold jewellery revenue.

Our Brand and Product Portfolio

Our brand is "梦金园" and we are proud of our capability in producing high-purity gold jewellery. High-purity gold is an integral part of our brand positioning and our jewellery design concept and we focus not only on the aesthetic appeal and trendiness of our gold jewellery products, but also on the cultural and emotional significance that they represent. Our commitment to using only the finest materials and our attention to craftsmanship ensure our gold jewellery continues to meet the expectations of our customers in terms of both quality and value.

Adhering to the four core product development principles of "lightness (輕), craftsmanship (巧), refinement (精), and aesthetic (美)", we provide our customers and consumers with a comprehensive portfolio of gold jewellery products that reflects the latest trends. In particular, we pay close attention to our target customers' preferences for product types and materials under different scenarios. Additionally, we also offer gold bullion as part of our product portfolio. During the Track Record Period, the revenue we derived from the sales of gold bullion amounted to RMB1,652.1 million, RMB442.2 million, RMB711.7 million and RMB1,103.8 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. With our deep understanding in the gold jewellery market and our well-integrated design and production capability, we have been able to continuously innovate and broaden our product portfolio. Below sets forth a few of our signature product lines:

"Master Craftsman Legend series — The Master's Legacy" (匠傳系列—大師匠傳)

"The Delicates series — Twinkle" (玲瓏小飾系列—小星動)

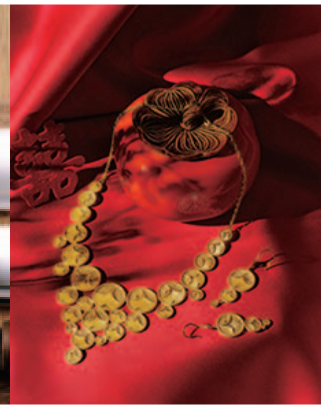
The "Ancient prayers for good fortune series — Buddha's blessings" (祈祥•古法系列—佛佑)

The "Ancient prayers for good fortune series — The Unparalleled Oriental Beauty" (祈祥•古法系列—國色無雙)

"Master Craftsman Legend series — Luck, Wealth and Golden Fortune" *(匠傳系列—福祿金安)*

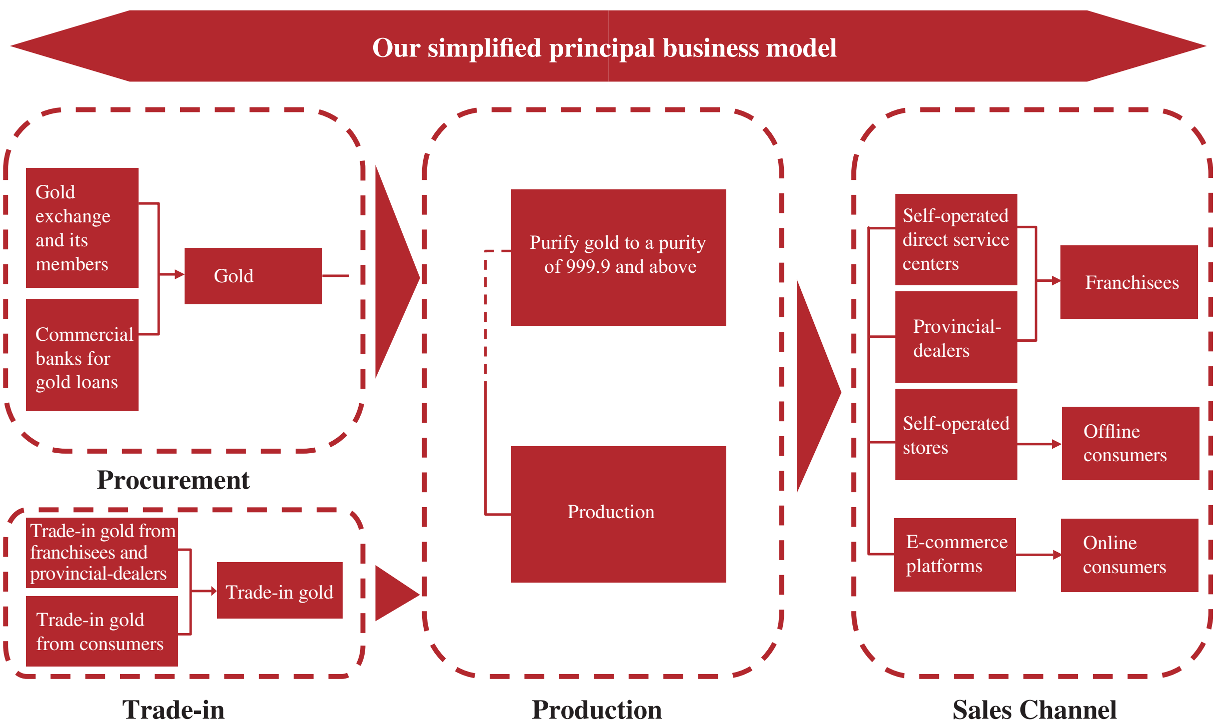
"The Delicates series — Cute Pets" *(玲瓏小飾系列—萌寵)*

The "Ancient prayers for good fortune series — Sign of Fortune" *(祈祥•古法系列—吉兆)*



"The Happily Ever After series — Little Fortune" *(喜事臨—小幸福)*

Business Model (Simplified)



Our operation covers key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network. We are committed to quality control in each stage. See "Business — Our Business Model" in this document for further details. For our key milestones, see "History, Development and Corporate Structure — Our Key Milestones" for further details.

OUR SALES AND DISTRIBUTION NETWORK

We primarily sell our products to our customers through our franchise network and self-operated stores. In addition, we also offer our products to our customers through online sales via e-commerce platforms. The following table sets forth the breakdown of our revenue by distribution channels during the Track Record Period:

	Year ended December 31,												Six months ended June 30,							
	2021				2022				2023				2023				2024			
	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	% (Unaudited)	RMB'000	%	RMB'000	%	RMB'000	%
Franchise network	14,772,630	87.6	415,712	2.8	14,836,284	94.4	631,072	4.3	18,923,195	93.7	896,006	4.7	8,851,440	95.1	433,352	4.9	8,207,527	82.3	493,777	6.0
– Franchisees	*9,409,225*	*55.8*	*336,795*	*3.6*	*9,629,142*	*61.3*	*453,023*	*4.7*	*12,273,776*	*60.8*	*603,449*	*4.9*	*5,906,356*	*63.5*	*284,445*	*4.8*	*5,755,003*	*57.7*	*310,207*	*5.4*
– Provincial-dealers	*5,363,405*	*31.8*	*78,917*	*1.5*	*5,207,142*	*33.1*	*178,049*	*3.4*	*6,649,419*	*32.9*	*292,557*	*4.4*	*2,945,084*	*31.6*	*148,907*	*5.1*	*2,452,524*	*24.6*	*183,570*	*7.5*
E-commerce sales	1,608,263	9.5	40,051	2.5	364,473	2.3	28,816	7.9	750,705	3.7	56,769	7.6	172,095	1.8	26,149	15.2	1,318,687	13.2	48,785	3.7
– Self-operated online stores (Note 1) (Note 2)	*79,108*	*0.5*	*12,267*	*15.5*	*233,641*	*1.5*	*20,736*	*8.9*	*651,431*	*3.2*	*46,389*	*7.1*	*118,279*	*1.3*	*19,617*	*16.6*	*412,632*	*4.1*	*34,100*	*8.3*
– Sales to platform	*1,529,155*	*9.0*	*27,784*	*1.8*	*130,832*	*0.8*	*8,080*	*6.2*	*99,274*	*0.5*	*10,380*	*10.5*	*53,816*	*0.5*	*6,532*	*12.1*	*906,055*	*9.1*	*14,685*	*1.6*
Self-operated stores	356,146	2.1	52,397	14.7	366,488	2.3	61,946	16.9	412,216	2.0	92,143	22.4	226,708	2.4	51,443	22.7	200,108	2.0	48,914	24.4
Others (Note 3)	133,961	0.8	28,281	21.1	156,970	1.0	37,414	23.8	122,483	0.6	32,542	26.6	65,970	0.7	17,092	25.9	253,422	2.5	26,030	10.3
Total	**16,871,000**	**100.0**	**536,441**	**3.2**	**15,724,215**	**100.0**	**759,248**	**4.8**	**20,208,599**	**100.0**	**1,077,460**	**5.3**	**9,316,213**	**100.0**	**528,036**	**5.9**	**9,979,744**	**100.0**	**617,506**	**6.2**

Notes:

(1) We had comparatively lower gross profit margin from our self-operated online stores in 2022 and 2023 and in the six months ended June 30, 2024, primarily because in 2022, 2023 and the six months ended June 30, 2024, we promoted sales of gold bullion through our self-operated online stores and participated in promotion activities for gold bullion on different online platforms, including TMall and JD.com, and sales of gold bullion generally entail lower gross profit margin and (ii) during the six months ended June 30, 2024, we enlarged our participation in an online sales promotion event, the June 18 sales event, whereby such event also contributed to our lower gross profit margin for the relevant period.

(2) For the years ended December 31, 2022 and 2023, and the six months ended June 30, 2023 and 2024, the gross profit margin of our self-operated online stores was generally lower than that of our self-operated stores. This difference was primarily due to (i) promotional activities held in our self-operated online stores, which affected product pricing; and (ii) the differing product mix in our self-operated online stores, which featured a higher proportion of lower-margin items with higher sales volume.

(3) Others include sales in relation to subcontracting production for independent third party and tailor-made products for specific customers.

As of June 30, 2024, we had established a comprehensive franchise network covering 2,850 franchise stores operated by 1,670 franchisees, seven self-operated direct service centers and 17 provincial-dealers. Our other sales channels include 36 self-operated stores, sales to online platforms and online stores on major e-commerce platforms in our consumer network. We have a well-established market position in third and lower tier cities in the PRC, which are markets with high growth potential according to Frost & Sullivan.

The following tables set forth certain key operating metrics as of the dates or for the periods/ as of the date indicated:

	Year ended/As of December 31,			Six months ended/ As of June 30,
	2021	2022	2023	2024
Distribution channel				
Number of franchisees at the end of year/ period	1,721	1,704	1,687	1,670
Number of franchise stores as of the end of the year/period	2,680	2,743	2,817	2,850
Number of self-operated stores as of the end of the year/period	31	32	35	36
Number of direct service center as of the end of the year/period	7	7	7	7
Number of provincial-dealers as of the end of the year/period	17	17	17	17
Number of e-commerce platforms as of the end of the year/period	10	13	12	12
Our production capacity				
Actual production volume of gold jewellery products during the year/ period *(kg)*$^{(Note\ 4)}$	47,190	41,566	43,558	18,242
Optimal production capacity of gold jewellery products during the year/ period *(kg)*$^{(Note\ 5)}$	50,000	50,000	50,000	25,000
Utilization rate of our production capacity during the year/period *(%)* $^{(Note\ 1)}$	94.4	83.1	87.1	73.0
Our purification capacity				
Actual volume of gold purified *(kg)*$^{(Note\ 2)}$	13,702	7,577	6,270	7,246
Optimal purification capacity *(kg)*	30,000	30,000	30,000	15,000
Utilization rate of our purification capacity during the year/period (%)$^{(Note\ 3)}$	45.7	25.3	20.9	48.3

Notes:

1. The utilization rate of production capacity is calculated by dividing the actual production volume of gold jewellery products by the optimal production capacity of gold jewellery products for the same period. The lower utilization rate for the six months ended June 30, 2024 primarily resulted from slower sales as our sales volume decreased by approximately 10.4% compared to the six months ended June 30, 2023. Our sales volume decrease was generally in line with (and slightly better than) that of the industry, which observed a period-to-period decrease of 26.7%. For the three months ended September 30, 2024, our utilization rate was 90.8%. The increase in our utilization rate for the three months ended September 30, 2024 was primarily due to the increase in demand for our products during the "One RMB Exchange" promotion.

2. The actual volume of gold purified decreased from 13,702 kg in 2021 to 7,577 kg in 2022, and then to 6,270 kg in 2023. This decline aligns with the decreasing trend in the weight of gold trade-ins we received during the Track Record Period. The actual volume of gold purified increased to 7,246 kg and the utilization rate for our purification facilities increased to 48.3% for the six months ended June 30, 2024 mainly because we increased the proportion of gold products of 999.99 purity level in our product mix. The gold raw materials we procured from Shanghai Gold Exchange were of purity level of 999.9, such raw materials, together with the gold jewellery products of purity level of 999.9 or above we collected from customers and/or end-consumers through gold trade-in, can be used directly for production without purification when we produce gold products of 999.9 purity level. Since we adjusted our product mix in 2024 to increase the proportion of gold products of 999.99 purity level, all raw materials we procured from Shanghai Gold Exchange and used gold of purity level less than 999.99 were required to be refined for production of such product. Accordingly, the volume of gold purified for the six months ended June 30, 2024 increased.

3. The utilization rate of purification capacity is calculated by dividing the actual volume of gold purified by the optimal purification capacity for the same year/period.

4. Production volume refers to actual output for the relevant year/period.

5. Our optimal production capacity is calculated based on the optimal hourly production rate of various machines and the workforce available operating 12 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).

Same store sales of our self-operated stores

Our profitability is affected in part by our ability to successfully increase revenue from our existing stores, primarily through the launch of new products and various marketing and promotional events, such as the "One RMB Exchange" promotions and advertisement through different media. We utilize data collected from our self-operated stores to illustrate the condition of our same store growth because we have robust data from such stores for the relevant analysis. Same store sales growth rates of our self-operated stores provide a period-to-period comparison of our performance, excluding increases and decreases due to the opening and closing of new self-operated stores and only taking into account of stores that were in operation at the ending dates in both of the compared years. There are variations in the way in which other retailers calculate these metrics. Accordingly, our Directors are of the view that these metrics may not be fully comparable with those of our competitors.

The table below sets forth our same store sales of self-operated stores for the years/period indicated:

	Year ended December 31,		Year ended December 31,		Six months ended June 30,	
	2021	2022	2022	2023	2023	2024
Number of the same self-operated stores that were in operation at the ending dates in both of the compared years	27		29		28	
Same store sales of our self-operated stores (RMB'000)	347,313	340,725	349,040	362,033	202,607	170,376
Same store sales growth of our self-operated stores (%)	(1.9)[1]		3.7		(15.9)[2]	

Notes:

(1) The same store sales growth of self-operated stores was (1.9)% for the year ended December 31, 2022, primarily because of disruptions to the operation of our self-operated stores caused by the pandemic.

(2) The same store sales growth for our self-operated stores was (15.9)% for the six months ended June 30, 2024 when compared to the corresponding period in 2023, which was in line with the fluctuations in sales at our self-operated stores due to the decline in consumption sentiments of purchase of gold products.

Our franchise network

According to Frost & Sullivan, it is common for gold jewellery companies to adopt a franchise network. A franchise is a type of license that grants franchisees access to a franchisor's proprietary business knowledge, processes, and trademarks to sell products or services under the franchisor's business name. Our business model of having franchise stores across the PRC allows us to expand rapidly in targeted markets. The franchise business model provides an asset-light and cost-effective method to expand our store network and geographical coverage.

Our franchise network comprises two channels, namely: (i) through our self-operated direct service centers and then through franchisees, and (ii) through provincial-dealers and then through franchisees. The terms and conditions of franchise agreements for franchisees under the two different channels are the same. As advised by Frost & Sullivan, the two-channel franchise network structure adopted by us is in line with market norm. We appoint provincial-dealers mainly because we believe we can utilize their business network in the jewellery industry to expand our franchisee network, as well as to save costs such as exhibition hall maintenance and marketing expenses in each covered province. Based on our Directors' knowledge, provincial-dealers usually have strong connections with local jewellery stores. By appointing provincial-dealers, we can facilitate the distribution of our products to franchisees within such regions and this practice is effective in terms of building a distribution network.

Self-operated direct service centers and franchisees

- The self-operated direct service centers are operated by us.
- The self-operated direct service centers receive products from our production facilities, showcase our products and allow franchisees to purchase such products from them.
- Our self-operated direct service centers only sell to franchisees and do not sell directly to consumers.

Provincial-dealers and franchisees

- Different from our self-operated direct service centers, our provincial-dealers operate their own centers and are independent from our operations.
- Similar to our self-operated direct service centers, they showcase our products and allow franchisees to purchase such products from them.

- Except for provincial-dealers who also own franchise stores (in which case they could be selling directly to consumers), our provincial-dealers only sell to franchisees and do not sell directly to consumers.

Growing franchise network

We have a growing franchise network supported by our franchisees. By partnering with local franchisees who have established exceptional distribution capabilities and local industry knowledge, we were able to efficiently enter into and expand our retail presence in third and lower tier cities in the PRC. For the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the average revenue[(Note)] of our franchise stores was RMB5.5 million, RMB5.4 million, RMB6.7 million, RMB3.2 million and RMB2.9 million, respectively. The decrease in average revenue of our franchise stores by 9.4% for the six months ended June 30, 2024 when compared to the corresponding period in 2023 was mainly attributable to a general decline in sales volume, as a result of rising gold prices negatively affecting consumer sentiment.

Revenue recognition under franchise network and sales return policy

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For sales of products, revenue is generally recognized at the point of sale. All sales between us and provincial-dealers, as well as sales between us and our franchisees, are buyout sales. Provincial-dealers generally do not hold gold products as their inventory and only maintain a relatively insignificant level of products for sales that occur on an ad hoc basis.

Except for situations such as the closure of franchise stores, we generally do not allow return of products from provincial-dealers and franchisees. For diamond products, we offer provincial-dealers and franchisees a right to exchange unsold diamond inlaying jewellery within a period of five years from the date of sale settlement, which allows them to exchange outdated products with current popular diamond products. For details of product exchange for diamond inlaying jewellery, see Note 5 "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and Note 34 "Refund Liabilities" in Appendix I to this document. As for gold products, we offer gold product exchange services to franchisees only under special and limited circumstances. This includes promotional benefits for newly joined franchisees, and franchisees requesting to exchange previously purchased products for same grade and same type of new gold products. Gold product exchange does not constitute a gold trade-in. In addition, our gold product exchange requires strict internal review and approval. According to Frost & Sullivan, most of our industry peers also require strict internal review and approval for gold product exchange.

Note: Calculated by dividing revenue derived by our Group from franchise network (i.e. including revenue generated from provincial-dealers) by total number of franchise stores as of the ending date of the respective year/period.

Franchise network management

Pursuant to our franchise agreements, our franchisees are granted the rights to operate and open franchise stores within specific geographical regions, and to sell our products under our brand name "梦金园" to consumers. While franchisees are primarily responsible for managing the franchise store, staffing, and profit and loss, we closely supervise our franchisees to ensure consumer satisfaction, and service quality in order to protect our reputation. To ensure consistency in operations, we provide a set of standard operational procedures that our franchisees are required to comply with. See the section "Business — Sales and Distribution Channels — Management of Franchisees" for further details. Our franchise stores can sell other brands' gold products on the condition that those third-party brand products are not displayed under our brand's name and/or logo. In case where our franchisees wish to sell products of other brands under our brand, the relevant products must pass our inspection or a third-party testing agency designated by us. For details, see "Business — Admittance of third-party products". The following table sets forth the breakdown of our revenue derived from franchise network from (i) provincial-dealers, and (ii) franchisees by different tiers of cities during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue from sales to provincial-dealers	5,363,405	31.8	5,207,142	33.1	6,649,419	32.9	2,945,084	31.6	2,452,524	24.6
Revenue from sales to franchisees	9,409,225	55.8	9,629,142	61.3	12,273,776	60.8	5,906,356	63.5	5,755,003	57.7
— *Tier 1 cities*	75,920	0.5	77,478	0.6	118,722	0.6	48,161	0.6	53,336	0.5
— *Tier 2 cities*	3,088,026	18.3	3,055,976	19.4	3,887,350	19.2	1,876,688	20.2	1,988,767	20.0
— *Tier 3 cities*	3,747,082	22.2	3,765,410	23.9	4,775,933	23.6	2,340,790	25.1	2,225,213	22.3
— *Tier 4 and lower cities*	2,498,197	14.8	2,730,278	17.4	3,491,771	17.4	1,640,717	17.6	1,487,687	14.9
Total:	14,772,630	87.6	14,836,284	94.4	18,923,195	93.7	8,851,440	95.1	8,207,527	82.3

Note: According to Frost & Sullivan:

(1) the first-tier cities refer to Shanghai, Beijing, Guangzhou and Shenzhen;

(2) the second-tier cities refer to Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi'an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo, Hefei, Foshan, Shenyang, Wuxi, Jinan, Xiamen, Fuzhou, Wenzhou, Harbin, Shijiazhuang, Dalian, Nanning, Quanzhou, Jinhua, Guiyang, Changzhou, Changchun, Nanchang, Nantong, Jiaxing, Xuzhou, Huizhou, Taiyuan, Taizhou, Shaoxing, Baoding, Zhongshan, Weifang, Linyi, Zhuhai and Yantai;

(3) the third-tier cities refer to Lanzhou, Haikou, Huzhou, Yangzhou, Luoyang, Shantou, Yancheng, Ganzhou, Tangshan, Urumqi, Jining, Zhenjiang, Langfang, Xianyang, Taizhou, Wuhu, Handan, Jieyang, Nanyang, Hohhot, Fuyang, Jiangmen, Yinchuan, Zunyi, Huai'an, Zhangzhou, Guilin, Zibo, Xinxiang, Lianyungang, Cangzhou, Mianyang, Hengyang, Shangqiu, Heze, Xinyang, Xiangyang, Chuzhou, Shangrao, Jiujiang, Yichang, Putian, Zhanjiang, Liuzhou, Anqing, Suqian, Zhaoqin, Zhoukou,

Xingtai, Jingzhou, Sanya, Yueyang, Bengbu, Zhumadian, Tai'an, Chaozhou, Zhuzhou, Weihai, Liu'an, Changde, Anyang, Suzhou, Huanggang, Dezhou, Ningde, Liaocheng, Yichun, Weinan, Qingyuan and Nanchong; and

(4) the fourth and lower tier refer to the rest of the other cities in the PRC.

The decrease in our revenue derived from provincial-dealers and franchisees for the six months ended June 30, 2024, compared to the same period ended June 30, 2023 was primarily attributable to a general decline in sales volume to provincial-dealers and to franchisees in Tier 3, Tier 4 and lower cities, as a result of rising gold prices negatively affecting consumer sentiment during the same period. For further details of our other sales channels including self-operated stores and e-commerce sales, see "Business — Sales and Distribution Channels" of this document.

SUPPLIERS AND CUSTOMERS

Our Suppliers

During the Track Record Period, our major suppliers were all gold suppliers and commercial banks who provided gold loans to us. Amounts paid to our five largest suppliers of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 accounted for approximately 96.8%, 98.8%, 97.4% and 98.6% of our total purchase for each of the respective year/period. None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers of each year/period during the Track Record Period. None of our five largest suppliers of each year/period were also our customers in each respective year and period during the Track Record Period.

Reliance on Shanghai Gold Exchange for gold procurement

The amount paid to Shanghai Gold Exchange, being our largest supplier of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, amounted to RMB7,585.1 million, RMB8,050.2 million, RMB11,162.6 million and RMB5,327.9 million for each of the respective year/period representing 90.9%, 93.2%, 87.6% and 83.4% of our total purchase of the respective year/period. All our purchases from the Shanghai Gold Exchange during the Track Record Period were procurement of gold bullion. For further details of our transactions with the Shanghai Gold Exchange and other major suppliers, see "Business — Our Procurement/Suppliers — Our Top Five Suppliers during the Track Record Period".

Our Customers

Our customers include (i) provincial-dealers, (ii) franchisees, (iii) e-commerce platforms and (iv) consumers from e-commerce sales and self-operated stores. Our customers are primarily our franchisees and provincial-dealers through our franchise network. They normally settle payment with us by bank transfer and/or by way of gold trade-in settlement. Consumers are also considered as our customers if they purchase directly from our self-operated stores or self-operated e-commerce platforms.

Our five largest customers of each year/period of the Track Record Period primarily consist of provincial-dealers, except for an online retailing platform as one of our five largest customers in 2021 and six months ended June 30, 2024, and one franchisee as one of our five largest customers in 2023. The revenue we derived from our five largest customers of each of the years ended December 31, 2021, 2022 and 2023 and the six months ened June 30, 2024 accounted for approximately 23.2%, 17.6%, 18.7% and 21.3% of our total revenue for each of the respective year/ period. For further details of the information of and arrangements with our franchise network, see "Business — Sales and Distribution Channels".

Gold Trade-in

According to Frost & Sullivan, sourcing gold through trade-in is common amongst gold jewellery manufacturers and brands. Leveraging our gold purification capabilities, we are able to efficiently purify gold sourced through trade-in which we then use as raw materials for our new jewellery products. To better ensure a stable supply and inventory of gold, we also procure gold on an on-going basis through trade-in of used gold from our customers. For details of our gold trade-in, see "Business — Gold Trade-in".

Pricing Policy

We generally adopt a cost-plus pricing policy for our gold jewellery and K-gold products. When we sell our gold products and K-gold products, we normally charge customers an amount based on the prevailing market price of gold and crafting fees, multiplied by the weight of gold of the products. Crafting fees represent mark-ups on top of the costs of our products, which vary by product and by the transaction type. We determine crafting fees primarily with reference to the following criteria: (i) whether the transaction is settled by trade-in gold from third-party brands, we charge a higher crafting fee to cover the necessary costs of purifying and processing gold from third-party brands, (ii) our counter-party, namely (a) consumers with whom we directly transact, or (b) franchisees and/or provincial-dealers, whereby we charge a higher crafting fee when transacting with consumers to align with the charges imposed by our franchisees when they transact with consumers, (iii) the product specification, including its design and production complexity, and (iv) whether the product is to be sold under the "One RMB Exchange" for our "Wan Purity" series products. If there is an increase in the prevailing gold market price, we would adjust our price of gold jewellery and K-gold products based on the current market price. Diamond inlaying products are usually priced based on a cost-plus basis, and we usually add to our cost a profit margin on different products with reference to their respective design complexity, novelty and popularity of the relevant product line on a case-by-case basis, and come up with a fixed selling price.

We have a suggested retail price guide for crafting fees to be charged, and franchisees have some discretion to conduct promotional sales as long as they meet with our minimum retail price requirements and franchisees can also adjust the mark-up based on fluctuations in the market gold price. To maintain fair competition, we encourage franchisees in the same city or region to maintain a consistent price, which is regulated by our market supervision department to prevent unfair competition.

For further details of our pricing policy, see "Business — Sales and Distribution Channels".

MEASURES ADOPTED TO MANAGE THE RISK EXPOSURES TO CHANGE IN GOLD PRICE

During the Track Record Period, to manage our exposure to changes in gold price, we implemented (i) a "procuring according to sales (以銷定採)" procurement strategy, and (ii) hedging strategies including financing our procurement of gold through gold loans and entering into Au (T+D) contracts on a daily basis. It is our strategy to enter into gold loans and Au (T+D) contracts, i.e. the short position, to substantially cover our inventory balance and the adoption of such hedging strategies allows us to avoid speculating against fluctuations in gold prices and focus on the development of our core operations in gold jewellery manufacturing and sales.

We implement the strategy of "procuring according to sales (以銷定採)", whereby we purchase gold materials based on our daily sales volume to manage the potential adverse impact of mismatches between our gold procurement prices and sales prices. This approach allows us to maintain an inventory level with stable inventory turnover days of 42.7 days, 45.6 days, 36.8 days and 40.8 days as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. We believe our "procuring according to sales (以銷定採)" strategy helps mitigate the potential adverse impact of mismatches between our gold procurement prices and sales prices.

We implement hedging strategies including financing our procurement of gold through gold loans and entering into Au (T+D) contracts on a daily basis to (i) mitigate the risks associated with fluctuations in gold prices on our inventory on hand and (ii) avoid speculation on gold price fluctuations. Our hedging measures are carefully assessed based on funds available, our gold inventory position and projected sales needs. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our remaining gold balance of Au (T+D) contracts and gold loans amounted to 5,647.0kg, 4,428.0kg, 5,267.0kg, and 4,416.0kg, respectively, covering 96.6%, 96.3%, 98.8% and 98.4% of our long position in gold, i.e. the total balance of our gold and K-gold inventory, as well as gold lent to our customers as of the respective dates. Our Directors believe that our procurement and gold price exposure management strategies, through Au (T+D) contracts and gold loans, are effective in managing risks associated with gold price fluctuations.

Au (T+D) is a standardized contract employed by the Shanghai Gold Exchange for the future delivery of a predetermined amount of gold at a predetermined price on a specified future date. While we enter into Au (T+D) contracts to manage our risk exposure in relation to gold price fluctuation, our use of Au (T+D) does not qualify for hedging accounting under HKFRS 9 due to the lack of formal designation and documentation of hedging relationship. For further details, please refer to the section headed "Business — Our Procurement/Suppliers — Procurement of Gold — (b) Gold Price Exposure Management to Manage Fluctuations of Raw Material Price — Adoption of Au (T+D) contracts".

Net profit margin and our hedging strategies

Our net profit margin fluctuation is subject to gold price fluctuation, among other factors.

To mitigate the potential impact of gold price fluctuations on our net profit, we utilize gold loans and Au (T+D) for an economic hedge against our gold inventory position. The financial impact of our economic hedge of Au (T+D) and gold loans is reflected under "other gains and losses, net" in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. However, the appreciation or depreciation in the monetary value of our gold inventories may not necessarily be reflected in our net profit, as gold inventories are stated at the lower of cost and net realizable value in our consolidated statements of financial position. The gain or loss associated with the change in gold price for our gold inventories is generally reflected at the time of sale of our products. The timing difference between when we recognize the gains or losses on Au (T+D) contracts and gold loans and when we are able to fully realize the gains or losses from the gold price portion of our sales (due to fluctuation in gold price) may affect our results of operation. As we sell our products at prevailing market prices, the increase or decrease in gross profits that we derive from sales of our products would reduce or cancel out the aforementioned adverse impact on our net profit caused by loss on Au (T+D) contracts and gold loans.

Effects of Au (T+D) Contracts and Gold Loans as Hedging Strategies

We generally adopt a cost-plus pricing policy for our gold jewellery and K-gold products. When we sell our gold products and K-gold products, we normally charge customers with an amount based on the prevailing market price of gold and crafting fees, multiplied by the weight of gold of the products. As we charge the raw material costs of our gold jewellery and K-gold products based on prevailing gold price, we enter into Au (T+D) contracts and gold loans to hedge against effects that gold price movements may have on our inventory, and in turn, our financial results. For example:

When Gold Price Falls

- we have to sell our products at a lower price and our gross profits and gross profit margins will be negatively impacted. When gold price falls at a scale that exceeds the difference between the crafting fees we charge and our production cost, we would incur losses as we have to sell gold jewellery at prices (including the crafting fees we charge) that are lower than the gold procurement price plus production costs, which would result in a negative gross profit.

- Under such circumstance the decrease in our gold inventory monetary value may not be accounted for as our loss as such decrease in gold price may not necessarily lead to impairment on our inventories. However, we will record gains from Au (T+D) contracts and gold loans under "other gains and losses, net". This will benefit our net profit and net profit margins, mitigating the aforementioned negative impacts resulting from a drop in gold price.

When Gold Price Increases

- When gold price rises, we benefit from selling gold jewellery at prices (including the then prevailing market price for gold and the crafting fees we charge) that are higher than the gold procurement price plus production costs.

- Under such circumstance the increase in our gold inventory monetary value will not be accounted for as our gain. However, we will record losses from Au (T+D) contracts and gold loans under "other gains and losses, net". In turn, this would adversely impact our net profit and net profit margins and reduce or cancel out the aforementioned positive impacts resulting from an increase in gold price.

As it takes time to sell our products, there is a timing difference between when we recognize gains or losses on Au (T+D) contracts and gold loans and when we record gains or losses that result from gold price changes derived from the sale of our products. As our Au (T+D) contracts and gold loans substantially cover our inventory balance, and our sales volume of gold and K-gold products during a given period may be less than the volume of our inventory on hand, the fluctuation of gold price will result in larger financial impacts from Au (T+D) contracts and gold loans as compared to that from changes in selling price of our products during such a period.

In 2021, we recorded a gain from Au (T+D) contracts and gold loans in the sum of RMB88.6 million due to the decreasing trend in gold price during the year. We suffered material losses from Au (T+D) contracts and gold loans we entered into in 2022, 2023 and the six months ended June 30, 2023 and 2024, which amounted to RMB209.1 million, RMB369.5 million, RMB195.3 million and RMB386.6 million, respectively. Given gold is highly liquid, had we sold all gold inventories (including gold and K-gold materials and finished products) at the closing gold price quoted on the Shanghai Gold Exchange on the last trading day for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 without taking into account the crafting fees we should be able to charge, we would record a loss of RMB4.0 million for the year ended December 31, 2021, and a gain of RMB52.1 million, RMB77.5 million, RMB60.8 million and RMB132.4 million for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

However, no matter whether gold price falls or rises, the Au (T+D) contracts and gold loans help us mitigate the impact of gold price movements on our financial condition and allows us to better secure a targeted gross profit, and in turn, net profit margin in long run. Accordingly, we believe our existing hedging policies of applying Au (T+D) contracts and gold loans are effective.

IMPACT OF MATERIAL INCREASE IN GOLD PRICES ON OUR FINANCIAL CONDITION AND BUSINESS OPERATIONS AND THE EFFECTIVENESS OF OUR HEDGING POLICY

Our net profits and net profit margins are materially affected by the gains and losses arising from the Au (T+D) contracts and gold loans when there are material changes in gold prices during a year/period. During the six months ended June 30, 2024, gold price rose by approximately 13.7%, with the closing price of Au9999 increasing RMB483.7/g as of January 2, 2024 to RMB549.9/g as of June 28, 2024 (being the last trading day of the Track Record Period), according to the closing gold price quoted on the Shanghai Gold Exchange. As a result, we incurred losses on our hedging activities of Au (T+D) contracts and gold loans during the period, which, in turn, led to lower net profits and net profit margin as compared to those during the six months ended June 30, 2023. Please see "— SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS — Selected items in our consolidated statements of profit and loss — Net profit and total comprehensive income".

However, as we subsequently sold our inventory on hand as of June 30, 2024 at a high selling price and the gross profits that resulted from high selling price mitigated the adverse impacts of the losses we incurred on Au (T+D) contracts and gold loans during the six months ended June 30, 2024, we do not expect the increase in gold prices to have a material adverse effect on our financial conditions and business operations in the long run. For further details on the impact of material increase in gold prices on our financial condition and business operations, please see "Business — Impact of Material Increase in Gold Prices on Our Financial Condition and Business Operations".

For further details on how Au (T+D) operates, please see "Business — Our Procurement/ Suppliers — Procurement of Gold — (b) Gold Price Exposure Management to Manage Fluctuations of Raw Material Price — Adoption of Au (T+D) contracts".

OUR COMPETITIVE STRENGTHS

We believe our success and future potentials are attributable to our competitive strengths which include:

- We are a gold jewellery OBM in the PRC, encompassing key stages of the gold jewellery industry;
- Our R&D capability allows us to realize achievements and pioneer industry standard, which can be demonstrated in our gold purification capability, innovation in mass production of 18K-gold spring clasps of various metals and specifications and setting industry gold purity testing standards;
- Our manufacturing together with our sophisticated craftsmanship lays a solid foundation for our rapid growth, and our ability to create, adapt and/or calibrate machinery for gold jewellery production allows us to launch products according to the market trends, thereby meeting customer demands in an efficient matter;
- We have a diverse and extensive national-wide multi-channel sales network in the PRC, enabling us to reach a wide range of customers across different regions and demographics, which ultimately strengthens our brand awareness, customer loyalty, and business growth;
- Our ability to launch effective and inventive marketing strategies strengthened our brand recognition and deeply connected with our consumers; and

- We have a sophisticated management team with valuable industry experience and pioneer vision, encouraging an innovative and pragmatic corporate culture.

OUR STRATEGIES

To fulfil our mission and realize our vision, we intend to implement the following strategies:

- To expand our production capacity through further investment in our production machinery to support our business growth;
- To further enhance our R&D capabilities through establishing a research and development center to solidify our innovation capacities and competitiveness;
- To strengthen and expand our distribution channels to further our customer reach and improve customer experience;
- To accelerate the development of our digital information platforms and to improve our membership program; and
- To continuously invest in brand building and further improve product innovation and expand product offerings.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

The following is a summary of the consolidated statements of profit or loss and other comprehensive income during the Track Record Period as derived from the Accountants' Report, the full text of which is set out in Appendix I to this document. This summary should be read in conjunction with the aforesaid Accountants' Report and the section headed "Financial Information" of this document.

Selected items in our consolidated statements of profit and loss

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744
Cost of sales	(16,334,559)	(14,964,967)	(19,131,139)	(8,788,177)	(9,362,238)
Gross profit	536,441	759,248	1,077,460	528,036	617,506
Distribution and selling expenses	(176,794)	(194,473)	(257,328)	(128,337)	(118,939)
Other gains and losses, net	89,839	(208,961)	(370,014)	(195,592)	(345,725)
Profit before tax	295,874	244,161	305,113	133,976	66,861
Profit and total comprehensive income for the year/period	224,498	180,756	233,472	105,987	52,252
Profit/(loss) and total comprehensive income/(expense) for the year/period attributable to					
Owners of the Company	220,618	180,825	230,375	104,167	47,433
Non-controlling interests	3,880	(69)	3,097	1,820	4,819
	224,498	180,756	233,472	105,987	52,252

Revenue

During the Track Record Period, our revenue amounted to RMB16,871.0 million, RMB15,724.2 million, RMB20,208.6 million and RMB9,979.7 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. The major components of our sales were gold jewellery and other gold products, which accounted for approximately 97.5%, 97.9%, 98.4% and 98.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. The fluctuations in our revenue during the Track Record Period was primarily attributable to the sales of our gold jewellery products and the market consumption sentiments during the relevant year/period. For the year ended

December 31, 2022, our sales were affected by the outbreak of the COVID-19 pandemic in fourth quarter of 2022 which affected consumption sentiments. For the year ended December 31, 2021, we recorded a material increase in sales through e-commerce as we sold a large batch of gold bullion to a leading PRC online discount retailer, Vipshop for a promotional event. We recorded an increase in revenue derived from sales through e-commerce channel from RMB172.1 million for the six months ended June 30, 2023 to RMB1,318.7 million for the six months ended June 30, 2024. The increase in sales through e-commerce channel was primarily driven by (i) an increase in revenue derived from self-operated online stores due to our active participation in promotion events on major e-commerce retail platforms such as Tmall.com and JD.com during May and June 2024, and (ii) an increase in revenue derived from sales to platform due to our sales of gold bullion to a leading PRC online discount retailer, Vipshop for a promotion event.

For sales of gold bullion to online discount retailer, we have not entered into any long-term cooperation agreement and/or sales contract with such online discount retailer in relation to sales of gold bullion. The online discount retailer purchased gold bullion from our Group on an ad-hoc basis and the volume of gold bullion purchased varied in each transaction. During the Track Record Period, Vipshop made two major purchases of gold bullion from us in 2021 and the first half of 2024. Our gold bullion transaction with Vipshop involves only the sales of gold bullion to Vipshop and, as requested by Vipshop, we delivered such gold bullion directly to end consumers based on the order information we received from Vipshop. In addition, we generally do not allow the return of gold bullion, and during the Track Record Period, we received only a de minimis amount of gold bullion returns from the online discount retailers we sold to, including Vipshop. The relevant online discount retailer purchased another batch of gold bullion from us in the third quarter of 2024.

Gross profit and gross profit margin

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit was RMB536.4 million, RMB759.2 million, RMB1,077.5 million and RMB617.5 million and our gross profit margin was 3.2%, 4.8%, 5.3% and 6.2%, respectively. Our gross profit margin demonstrated a rising trend during the Track Record Period. Since our crafting fees are usually fixed, our gross profit and gross profit margin are significantly influenced by fluctuations in gold price. Due to timing of procurement of gold raw materials and sales of our gold products, there is generally a difference between the procurement costs of gold raw materials and the selling prices of our gold products. As gold prices experienced a general upward trend during the Track Record Period, the difference in gold prices contributed to higher gross profit and gross profit margin. However, our gross profit and gross profit margin might be negatively impacted if the gold prices remain steady or even decline in the future. For further details of our gross profit, gross profit margin and their relationship with our gold procurement price, please refer to the section headed "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin — our pricing mechanism, gross profit and gross profit margin".

The selling prices of our gold jewellery and other gold products usually reflect the market price of the raw materials in the products and crafting fees. As our products are mainly made of gold, we use gold loans and Au (T+D) contracts as economic hedges to reduce the financial impact of gold price fluctuations. As the economic hedge of Au (T+D) contracts and gold loans does not directly reflect on our gross profit or gross profit margin, our gross profit and gross profit margin are subject to fluctuations of gold price.

Breakdown by products and services

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

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Gold jewellery and other gold products	16,457,308	97.5	15,392,835	97.9	19,877,366	98.4	9,137,879	98.1	9,834,885	98.5
999.9 ("Wan Purity" series)	13,870,027	82.2	13,978,637	88.9	17,865,322	88.4	8,379,816	90.0	6,282,342	63.0
999.99	740,332	4.4	845,445	5.4	1,121,958	5.6	526,670	5.7	1,957,932	19.6
Others	194,815	1.2	126,570	0.8	178,425	0.9	91,848	1.0	490,795	4.9
Gold bullion	1,652,134	9.8	442,184	2.8	711,661	3.5	139,545	1.5	1,103,816	11.1
K-gold jewellery, diamond inlaying jewellery and other products	296,605	1.8	226,187	1.4	225,513	1.1	127,648	1.4	99,925	1.0
Services	117,087	0.7	105,193	0.7	105,720	0.5	50,686	0.5	44,934	0.5
Total	**16,871,000**	**100.0**	**15,724,215**	**100.0**	**20,208,599**	**100.0**	**9,316,213**	**100.0**	**9,979,744**	**100.0**

The following table sets forth a breakdown of our gross profit and gross profit margin by our products and services during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Gold jewellery and other gold products	360,069	2.2	594,885	3.9	920,795	4.6	448,168	4.9	548,272	5.6
K-gold jewellery, diamond inlaying jewellery and other products	70,174	23.7	63,628	28.1	62,087	27.5	32,630	25.6	27,513	27.5
Services	106,198	90.7	100,735	95.8	94,578	89.5	47,238	93.2	41,721	92.8
Total	**536,441**	**3.2**	**759,248**	**4.8**	**1,077,460**	**5.3**	**528,036**	**5.7**	**617,506**	**6.2**

Our gross profit margin for gold jewellery and other gold products for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 2.2%, 3.9%, 4.6% and 5.6%, respectively. Our gross profit margin for gold products demonstrated an increasing trend during the Track Record Period as a result of the combined effect of increase in our sales volume, fluctuation of gold price and timing difference between our procurement of gold and sales.

Our gross profit margin of K-gold jewellery, diamond inlaying jewellery and other products for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 23.7%, 28.1%, 27.5% and 27.5%, respectively. Our gross profit margin for K-gold jewellery, diamond inlaying jewellery and other products increased by 4.4% point from 2021 to 2022 and remained stable with a slight decrease of 0.6% point from 2022 to 2023. In 2021, we recorded a lower gross profit margin as a result of the fluctuation in gold price. In 2022, our gross profit margin improved as a combined effect of the fluctuation of gold price and timing difference between our procurement of gold and sales and remained stable in 2023 and the six months ended June 30, 2024.

Our gross profit margin of services for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 90.7%, 95.8%, 89.5% and 92.8%. Gross profit margin of services increased by 5.1% point from 2021 to 2022 as a result of the increase in gross profit margin in our entrusted processing services. In 2023, our gross profit margin decreased by 6.3% point as a result of the decrease in gross profit margin of our entrusted processing services. For the six months ended June 30, 2024, our gross profit margin increased by 3.3% mainly as a result of an increase in gross profit margin of our entrusted processing services.

Breakdown by distribution channels

The following table sets forth the breakdown of our gross profit and gross profit margin by distribution channels during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Franchise network										
Franchisees	336,795	3.6	453,023	4.7	603,449	4.9	284,445	4.8	310,207	5.4
Provincial-dealers	78,917	1.5	178,049	3.4	292,557	4.4	148,907	5.1	183,570	7.5
Subtotal	**415,712**	**2.8**	**631,072**	**4.3**	**896,006**	**4.7**	**433,352**	**4.9**	**493,777**	**6.0**
E-commerce platform	40,051	2.5	28,816	7.9	56,769	7.6	26,149	15.2	48,785	3.7
Self-operated online stores	12,267	15.5	20,736	8.9	46,389	7.1	19,617	16.6	34,100	8.3
Sales to platform	27,784	1.8	8,080	6.2	10,380	10.5	6,532	12.1	14,685	1.6
Self-operated stores	52,397	14.7	61,946	16.9	92,143	22.4	51,443	22.7	48,914	24.4
Others*(Note)*	28,281	21.1	37,414	23.8	32,542	26.6	17,092	25.9	26,030	10.3
Total	**536,441**	**3.2**	**759,248**	**4.8**	**1,077,460**	**5.3**	**528,036**	**5.7**	**617,506**	**6.2**

Note: Others include revenue in relation to subcontracting production for independent third party and to tailormake products for specific customers.

The gross profit margin for our e-commerce platform is lower than that of our self-operated stores primarily because: (i) we sell a larger portion of bullion on our e-commerce platforms (both to sales platforms and through self-operated online stores), which generally have lower gross profit margins; and (ii) the gross profit margin from our sales to e-commerce sales platforms is generally lower than that of our self-operated stores because we typically sell at lower prices to these platforms, which require a margin to resell our products to end consumers.

Our gross profit margin of our sales derived from franchise network for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 2.8%, 4.3%, 4.7% and 6.0%, respectively. Our gross profit margin of our sales derived from franchise network increased by 1.5% point from 2021 to 2022, then remained stable with a slight increase of 0.4% point from 2022 to 2023. The increase in 2023 and the six months ended June 30, 2024 was primarily attributable to the fluctuation in gold price.

Our gross profit margin of our sales derived from franchisees for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 3.6%, 4.7%, 4.9% and 5.4%, respectively, whereas the gross profit margin of our sales derived from provincial-dealers for the corresponding year/period were 1.5%, 3.4%, 4.4% and 7.5%, respectively. The gross profit margin from our sales to provincial-dealers is generally lower than that of our sales to franchisees because we typically sell at lower prices to provincial-dealers, which require a margin to resell our products to franchisees.

For the six months ended June 30, 2023 and 2024, the gross profit margins of our sales derived from provincial-dealers were higher than that of sales to franchisees. This is primarily because while we hold "One RMB Exchange" program in other provinces from July to September we began to hold the "One RMB Exchange" promotion in Shandong province, a province covered by our self-operated direct service center, in June since 2023, which led to lower gross profit margins of our sales to franchisees for the six months ended June 30, 2023 and 2024 as we charge lower crafting fees for trade-in gold products under "One RMB Exchange" program.

Our gross profit margin of our sales derived from e-commerce sales for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 2.5%, 7.9%, 7.6% and 3.7%, respectively. Our gross profit margin of our sales derived from e-commerce sales increased by 5.4% point from 2021 to 2022, and remained stable with a slight decrease of 0.3% point from 2022 to 2023. In 2021, the revenue contribution of sales of gold bullion was relatively higher than the revenue contribution in 2022 and 2023, as a result of a promotion event with a leading PRC online discount retailer. The gross profit margin of sales of gold bullion was relatively thinner than the gross profit margin of gold jewellery, accordingly, we recorded a lower gross profit margin in 2021 with the combined effect of low gold price during the year. In 2022, without the impact of the gold bullion sales promotion event, our gross profit margin returned to a normal level at 7.9% and remained stable at 7.6% in 2023. For the six months ended June 30, 2024, our gross profit margin derived from e-commerce sales decreased to 3.7% as a result of a sales of gold bullion through a promotion event with a leading PRC online discount retailer. Sales of gold bullion generally had lower gross profit margin when compared to sales of other products.

Gross profit margin of our self-operated stores for the three years ended December 31, 2023 and the six months ended June 30, 2024 were 14.7%, 16.9%, 22.4% and 24.4%, respectively, which demonstrated an increasing trend over the Track Record Period. The increase in 2022 was primarily attributable to the fluctuation in gold price. Our self-operated stores have longer inventory turnover days when compared with that of our sales to the franchise network primarily because our self-operated stores operate under a retail sales model with large inventories on display to meet diverse consumer needs. On the other hand, our Group engages in wholesale transactions with provincial-dealers and franchisees, which typically involves larger transaction volumes and faster turnover of inventory, leading to shorter inventory turnover days. The longer inventory turnover days at our self-operated stores coupled with a general increase in gold price in 2023, resulted in a more substantial difference between gold procurement price and sales price for our self-operated stores. Consequently, this led to a higher gross profit margin when compared to that of sales to our franchise network, which experienced shorter inventory turnover days and a reduced time span between gold procurement and sales price.

Other gains and losses, net

For the years ended December 31, 2021 and 2022 and 2023 and the six months ended June 30, 2024, our other gains and losses, net amounted to gain of RMB89.8 million, loss of RMB209.0 million, loss of RMB370.0 million and loss of RMB345.7 million, respectively.

Our other gains and losses, net mainly consist of gains or losses we incurred in connection with our Au (T+D) contracts and gold loans. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 increased from RMB374.5/g in 2021 and to RMB392.2/g in 2022. It further increased to RMB449.9/g in 2023 and the average daily closing price of RMB520.9/g for the six months ended June 30, 2024. Accordingly, we recorded net realized losses on Au (T+D) contracts and gold loans for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024. Conversely, we recorded net realized gain from Au (T+D) contracts and gold loans in 2021. The trend generally negatively corresponded with the price of Au9999.

Net profit and total comprehensive income

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our net profit was RMB224.5 million, RMB180.8 million, RMB233.5 million and RMB52.3 million, respectively. Our net profit decreased by RMB43.7 million from RMB224.5 million for the year ended December 31, 2021 to RMB180.8 million for the year ended December 31, 2022, mainly because of the decrease in revenue together with net realized loss on Au (T+D) contracts. Our net profit increased by RMB52.7 million from RMB180.8 million for the year ended December 31, 2022 to RMB233.5 million for the year ended December 31, 2023, representing a year-on-year increase of 29.1%, which is in line with the increase in our overall revenue. Our net profit decreased by RMB53.7 million from RMB106.0 million for the six months ended June 30, 2023 to RMB52.3 million for the six months ended June 30, 2024, representing a decrease of 50.7% when comparing the two periods. In turn, such decrease was mainly because of our net realized loss on Au (T+D) contracts incurred in the relevant period resulting from a material increase in gold price in the first half of 2024. Our net profit decrease coupled with our revenue growth resulted in a decrease in our net profit margin for the six months ended June 30, 2024 when compared to the corresponding period of 2023.

Net profit margin

During the Track Record Period, our net profit margin remained stable at 1.3%, 1.1%, 1.2% and 0.5% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our low net profit margin was primarily attributable to our adoption of franchise distribution model, whereby we maintained low fixed crafting fees to our products when we sell to provincial-dealers and franchisees. Such pricing model in turn benefits our franchisees as they are able to sell to consumers at higher margins subsequently.

Our net profit margin remained stable for the three years ended December 31, 2023. Decrease in our net profit margin for 2022 when compared with that in 2021 was partially due to our distribution and selling expenses increased as we implemented organic growth strategies to expand our market share. Our net profit margin for the year ended December 31, 2023 slightly increased to 1.2%. Our net profit margin decreased from 1.2% for the year ended December 31, 2023 to 0.5% for the six months ended June 30, 2024 primarily due to an increase in our net realized loss on Au (T+D) contracts, which in turn, was a result of a material increase in gold price during the first half of 2024.

Gold jewellery products generally have lower margin when compared with other jewellery products, but the lower margin for gold jewellery products does not mean low crafting skills applied when producing such products. Also, due to comparatively stronger market demand for gold jewellery products, they generally have higher inventory turnover.

Selected items of consolidated statements of financial position

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS				
Inventories	2,048,989	1,688,925	2,169,633	2,016,500
Trade receivables	97,993	130,922	150,513	171,206
Prepayments, deposits and other receivables	278,742	261,921	399,406	404,722
Financial assets at fair value through profit or loss	6,011	—	—	—
Pledged/restricted deposits	569,476	369,555	528,795	444,102
Cash and cash equivalents	153,518	225,359	155,866	364,034
Total	**3,154,729**	**2,676,682**	**3,404,213**	**3,400,564**
CURRENT LIABILITIES				
Trade and bills payables	45,560	64,953	511,787	302,191
Other payables and accruals	117,258	122,987	139,142	182,303
Lease liabilities	12,028	9,600	7,711	11,276
Borrowings	1,336,920	829,627	790,041	1,070,379
Contract liabilities	27,215	39,044	42,173	72,887
Tax liabilities	1,849	12,296	24,963	13,390
Gold loans	486,998	394,143	502,508	413,627
Deferred income	132	132	41	34
Provision	210	—	—	—
Refund liabilities	50,995	41,448	32,943	23,615
Total	2,079,165	1,514,230	2,051,309	2,089,702
Net Current Assets	**1,075,564**	**1,162,452**	**1,352,904**	**1,310,862**
Non-current Assets	**540,553**	**583,711**	**616,793**	**610,101**
Non-current Liability	**76,240**	**56,730**	**46,792**	**37,433**
Net Assets	**1,539,877**	**1,689,433**	**1,922,905**	**1,883,530**
Capital and Reserves				
Share capital	224,900	229,067	229,067	229,067
Reserves	1,307,163	1,454,914	1,685,289	1,641,095
Equity attributable to owners of the Company	1,532,063	1,683,981	1,914,356	1,870,162
Non-controlling interests	7,814	5,452	8,549	13,368
Total Equity	1,539,877	1,689,433	1,922,905	1,883,530

Our refund liabilities primarily arise from situations where franchisees have a right to exchange unsold diamond inlaying jewellery within five years of purchase. We seek insight from historical exchange rates to estimate the percentage of exchange on a portfolio level using the expected value method. When goods are expected to be returned, instead of revenue, a refund liability is recognized. On the other hand, our right to recover the product when franchisees exercise their rights is recognized as a right to returned goods and a corresponding adjustment will be made to cost of sales.

Net current assets

Our net current assets increased from RMB1,075.6 million as of December 31, 2021 to RMB1,162.5 million as of December 31, 2022 primarily due to an decrease in borrowings of RMB507.3 million, which in turn resulted from the inability to timely renew certain borrowings because of business disruption to banks caused by the pandemic and partially offset by a reduction in inventories of RMB360.1 million.

Our net current assets further increased to RMB1,352.9 million as of December 31, 2023 primarily due to (i) an increase in inventories of RMB480.7 million mainly due to an increase in our gold reserves to meet market demand, alongside an increase in gold prices throughout 2023, (ii) an increase in pledged/restricted deposits of RMB159.2 million for securing financing, and (iii) an increase in prepayments, deposits and other receivables of RMB137.5 million due to an increase in the right to returned goods assets, and partially offset by a significant increase in trade and bills payable of RMB446.8 million, primarily due to our adoption of settlements in bank acceptance bills for gold bullion transactions.

Our net current assets slightly decreased by RMB42.0 million to RMB1,310.9 million as of June 30, 2024, primarily because of (i) a decrease in inventories by RMB153.1 million due to the sales of our finished goods, (ii) an increase in borrowings by RMB280.3 million, and was partially offset by a decrease in gold loans by RMB88.9 million.

Our net current assets remained relatively stable at RMB1,336.9 million as of September 30, 2024 when compared with that as of June 30, 2024.

Net assets

Our net assets increased from RMB1,539.9 million as of December 31, 2021 to RMB1,689.4 million as of December 31, 2022 mainly due to profit during the year of RMB180.8 million, issue of shares of RMB50.0 million and offset by dividends declared of RMB78.7 million. Our net assets increased to RMB1,922.9 million as of December 31, 2023 mainly due to a profit of RMB230.4 million during the year. Our net assets decreased to RMB1,883.5 million as of June 30, 2024 mainly because of the payment of dividends in the sum of RMB91.6 million in May 2024, and partially offset by our net profits of RMB52.3 million during the six months ended June 30, 2024.

For further details, see "Financial Information — Selected Items of Consolidated Statements of Financial Position" of this document.

Selected cash flow data from our consolidated statements of cash flows

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash (used in)/from operating activities	(5,935)	522,670	229,676	(63,025)	(13,685)
Net cash from/(used in) investing activities	15,779	136,741	(190,132)	(268,836)	65,028
Net cash from/(used in) financing activities	86,526	(587,620)	(108,931)	273,566	156,733
Net increase/(decrease) in cash and cash equivalents	96,370	71,791	(69,387)	(58,295)	208,076
Cash and cash equivalents at beginning of the year/ period	57,151	153,518	225,359	225,359	155,866
Effect of foreign exchange rate changes	(3)	50	(106)	(47)	92
Cash and cash equivalents at end of the year/period	**153,518**	**225,359**	**155,866**	**167,017**	**364,034**

We recorded net cash used in operating activities of RMB63.0 million for the six months ended June 30, 2023. Such result was largely attributable to (i) an increase in inventories of RMB428.5 million because we procured a large quantity of gold to replenish our inventory shortfall caused by the pandemic in the forth quarter of 2022; and (ii) an increase in gold prices in the first half of 2023. In addition, we recorded net cash used in operating activities of RMB13.7 million for the six months ended June 30, 2024. Such result was largely attributable to a decrease in trade and bills payables of RMB196.8 million, which in large part was in relation to our settling bills we applied to procure raw materials as we alternatively used bank acceptances within intra group transaction and revolving loans to finance our settlement of purchases of gold in the period. As our settlement of bills payable was classified as operating activities, while the addition of revolving loans was classified as financing activities, the difference in classification contributed to the net cash used in operating activities. Going forward, to improve the net cash position of our operating activities, we seek to (i) schedule payments to suppliers and utilize financial instruments such as bills, and (ii) continue to optimize our inventory level. We strive to avoid cash outflows required to settle payables and/or procure inventory that materially exceeds cash inflow from operating activities. We believe such measures, in turn, will better ensure a net cash inflow from operating activities.

For the year ended December 31, 2021, we recorded net cash used in operating activities of RMB5.9 million, primarily due to profit before tax of RMB295.9 million, as adjusted for certain non-cash and/or non-operating items (i) net unrealized loss on gold loans of RMB1.0 million, which in turn, was a result of market gold price effect on the outstanding gold loan balance on hand as of December 31, 2021, (ii) finance costs of RMB64.2 million, (iii) depreciation of property, plant and equipment of RMB27.8 million, and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in inventories of RMB310.6 million, (ii) increase in pledged/restricted deposits RMB28.1 million, (iii) increase in trade receivables of RMB22.0 million and partially offset by (iv) increase in trade and bills payables of RMB32.6 million, (v) decrease in prepayments, deposits and others receivables of RMB10.3 million and (vi) increase in contract liabilities of RMB20.1 million.

During the Track Record Period, having considered that our operating cash flows before movements in working capital were RMB413.8 million, RMB335.1 million, RMB436.4 million and RMB110.3 million for the three years ended December 31, 2023 and the six months ended June 30, 2024, respectively, which were stable, our net operating cash outflows during the Track Record Period was mainly attributable to changes in the volume of our gold inventories and the upward trend in the market price of gold.

At the end of each reporting period during the Track Record Period, our inventory balance accounted for over 50% of our total assets, and gold inventories (excluding K-gold) accounted for more than 80% of the total inventory balance. As changes in inventory balances were mainly affected by gold price fluctuations and our inventory management strategies on the raw materials we were to hold for our production needs for the relevant year, an increase in gold price and the volume of gold inventories contributes to an operating cash outflow.

Affected by the pandemic in the fourth quarter of 2022, we took the initiative to reduce inventory levels. The balance of inventories decreased from RMB2,049.0 million as of December 31, 2021 to RMB1,688.9 million as of December 31, 2022. As a result of the inventories decrease during 2022, we recorded net cash inflow from operating activities.

Whilst, during the first half of 2023, due to a more positive business outlook, we implemented inventory management strategies to scale up our production. Such decision coupled with an increase in the gold price led to a large amount of cash spent on procurement of gold raw materials, which then contributed to us having net operating activities cash outflow.

However, since gold inventories are highly liquid and valuable, our Directors are of the view that our Group's operating conditions remain healthy and stable and are not subject to any material risks on cashflow and liquidity.

Key financial ratios

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

	Year ended/As of December 31,			Six months ended/As of June 30,
	2021	2022	2023	2024
Gross profit margin	3.2%	4.8%	5.3%	6.2%
Net profit margin	1.3%	1.1%	1.2%	0.5%
Return on equity	15.7%	11.2%	12.9%	2.7%
Return on total assets	6.4%	5.2%	6.4%	1.3%
Current ratio	1.5 times	1.8 times	1.7 times	1.6 times
Quick ratio	0.5 times	0.7 times	0.6 times	0.7 times
Gearing ratio[(1)]	86.8%	49.1%	41.1%	56.8%
Debt to equity ratio	76.9%	35.8%	33.0%	37.5%

Note:

(1) Gearing ratio was calculated based on total borrowings divided by total equity as of the relevant dates and multiplied by 100%.

For details of the calculation and reasons of fluctuations, see "Financial Information — Key Financial Ratios".

PREVIOUS A-SHARE APPLICATIONS

In August 2018, we engaged GF Securities Co., Ltd. (廣發証券股份有限公司) (the "**GF Securities**") as the sponsor in preparation for our proposed submission of application for listing of our shares (the "**A-share Application**") on the main board of the Shenzhen Stock Exchange (the "**SZSE**") considering the fact that GF Securities had previous experience of sponsoring the listing of another PRC gold jewellery company on the SZSE. After such engagement, GF Securities did not make any formal listing application on our behalf. Subsequently, we terminated our engagement with GF Securities in May 2020 because GF Securities might have been involved in material non-compliance and was allegedly subject to investigation, and we engaged Zhongtai Securities Co., Ltd. (中泰證券股份有限公司) ("**Zhongtai Securities**") as our sponsor to submit the A-share Application on the main board of the SZSE to the CSRC in September 2020. The CSRC formally issued a rejection notice to our A-share Application on December 20, 2021 and expressed concerns that certain of its comments had not been satisfactorily addressed, including (i) the business rationale of our gold trade-in and "One RMB Exchange" activities; (ii) the discrepancy in inventory data and (iii) the inventory level of our franchise stores. Our Directors are of the view that the above-mentioned issues are no longer applicable or relevant to the [REDACTED], or render our Company not suitable for [REDACTED] on the Stock Exchange.

We terminated our engagement of Zhongtai Securities and engaged CITIC Securities Co., Ltd (中信證券有限公司) ("**CITIC Securities Co.**") for our second A-share application (the "**Second A-share Application**"). Nonetheless, to have greater access to diverse and global [REDACTED] and gain more international recognition, we did not submit our Second A-share Application and decided to pursue [REDACTED] [REDACTED]. We were referred to CITIC Securities (Hong Kong) Limited by CITIC Securities Co. as our Sole Sponsor for the current [REDACTED] application and terminated our engagement with CITIC Securities Co. There has been no disagreement between our Company and GF Securities and Zhongtai Securities in respect of the A-share Application. Based on the independent due diligence work performed by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor which indicated that there were any disagreements between the Company and the previous sponsors engaged by the Company in relation to the A-share Application.

Our Directors confirmed that based on the publicly available information, none of the professional parties engaged by the Company in relation to the A-share Application and Second A-share Application had been/are subject to any investigation by the relevant regulatory authorities in the PRC in relation to the A-share Application and the Second A-share Application. Our Directors further confirmed that there is no other matter in relation to the A-share Application and Second A-share Application that needs to be brought to the attention of the Stock Exchange or [REDACTED].

For further details, please refer to "History, Development and Corporate Structure — Previous A-Share Applications".

[REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised the total estimated [REDACTED] in connection with the [REDACTED] (including [REDACTED]) was RMB[REDACTED] million (including (i) [REDACTED] expenses (including but not limited to commissions and fees) of approximately RMB[REDACTED] million, and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED] million, which consist of fees and expenses paid to legal advisors and Reporting Accountants of approximately RMB[REDACTED] million, and other fees and expenses of approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], (based on the [REDACTED] of HK$[REDACTED] per [REDACTED] and assuming [REDACTED] is not exercised).

During the Track Record Period, RMB[REDACTED] million of [REDACTED] and issue costs has been incurred. For the year ending December 31, 2024, we expect to incur [REDACTED] of RMB[REDACTED] million, respectively, of which an estimated amount of RMB[REDACTED] million will be charged to profit or loss and RMB[REDACTED] million will be accounted for as a deduction from equity upon successful [REDACTED] under relevant accounting standards, respectively. The [REDACTED] above were the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] stated in this document, assuming [REDACTED] is not exercised. Our future plans and intended use of the [REDACTED] from the [REDACTED] are set out in details under the section headed "Future Plans and [REDACTED]" of this document and a summary of which is set out as follows:

- approximately [REDACTED]%, or HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), will be used for enhancing our production capabilities by upgrading our production facility in Weifang, Shandong with a view to achieve further business growth;
- approximately [REDACTED]%, or HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), will be allocated towards the expansion and enhancement of our franchise network;
- approximately [REDACTED]%, or HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), will be used for investing in information technology:
    - — approximately [REDACTED]%, or RMB[REDACTED] million, will be allocated towards the improvement of our operational efficiency through the acquisition of digital system for data management;
    - — approximately [REDACTED]%, or RMB[REDACTED] million, will be allocated towards the enhancement of our production line and inventory management through the integration of advanced digital elements into our production chain.

OUR CONTROLLING SHAREHOLDERS

Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng constitute our Controlling Shareholders group and will collectively be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company assuming that the [REDACTED] is not exercised and will collectively be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company assuming the [REDACTED] is exercised in full and will remain as a group of Controlling Shareholders upon [REDACTED]. See "Relationship with our Controlling Shareholders" for details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period, Mr. Wang Zhongshan and Ms. Zhang Xiuqin (the "**CP Guarantors**") had been providing personal guarantees/mortgages (the "**CP Guarantees**") as security for certain of our Group's banks loans, acceptance bills, lease financing and gold loans (collectively, the "**Guaranteed Loans**"), and all of such CP Guarantees will be terminated and the relevant banks loans, acceptance bills and gold loans will be guaranteed by the Company and/or members of our Group upon [REDACTED]. As of the Latest Practicable Date, we have received consent letters from all lenders of our Guaranteed Loans, pursuant to which they agreed in principle to replace our CP Guarantees with guarantees/mortgages and/or patent rights to be provided by our Group upon [REDACTED]. See "Relationship with our Controlling Shareholders" for details.

OUR [REDACTED]

We have six [REDACTED] including: (i) Tianjin Haikai Xinchuang; (ii) CITIC Securities Investment; (iii) Mr. Zhao Duxue (趙篤學); (iv) Ms. Huang Yi (黃怡); (v) Ms. Zhang Yizhen (張義貞); and (vi) Mr. Zhang Jianjun (張建軍), all of which are Independent Third Parties. For further details, see "History, Development and Corporate Structure — [REDACTED]".

DIVIDEND

The dividend declared by our Group to the shareholders was nil, RMB78.7 million, nil and RMB91.6 million for the years ended December 31, during 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. All dividends declared have been fully settled by cash.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS

During the Track Record Period, the COVID-19 pandemic and related restrictive policies led to a decline in social networking and business activities, which in turn had adverse impacts on China's gold jewellery market and our operations.

In 2022, our manufacturing facilities in Changle experienced a temporary decrease in capacity, primarily due to an increase in the number of days waiting for raw materials to arrive, caused by recurring COVID-19 outbreaks in China that led to transportation delays. Additionally, a number of our franchise stores were temporarily shut down due to COVID-19 in 2021 and 2022. Despite the COVID-19 challenges, our business maintained an upward trend during the Track Record Period. We had promptly taken various measures to mitigate the impacts of the COVID-19 pandemic, such as (i) organizing our employees to work remotely and closely monitoring their health and wellness; (ii) providing epidemic prevention essentials to our employees, such as masks and disinfectant alcohol; and (iii) conducting routine sanitization and requiring regular negative COVID-19 PCR test results to prevent any resurgence. Our revenue decreased from RMB16,871.0 million in 2021 to RMB15,724.2 million in 2022, primarily due to the pandemic's effect on our sales in the fourth quarter of 2022, then increased to RMB20,208.6 million in 2023, primarily due to the recovery of economic activities in 2023. As of the Latest Practicable Date, COVID-19 has not posed any material adverse impact on our daily operation, supply chain, or regulatory affairs.

With the PRC government substantially lifting COVID-19 prevention and control policies since December 2022, our Directors are of the view, and the Sole Sponsor concurs, that it is unlikely that the COVID-19 pandemic will have a material adverse impact on our business going forward. Other than the aforementioned impact, our Directors are of the view, and the Sole Sponsor concurs, that the COVID-19 pandemic did not have any material adverse impact on our overall business, financial condition and results of operations during the Track Record Period and up to the Latest Practicable Date.

REGULATORY DEVELOPMENT

CSRC Filing

On February 17, 2023, the CSRC promulgated the Administrative Trial Implementation Measures for Filing of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Notice on the Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (collectively, the "**Overseas Listing Trial Measures**"), which require indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies to be subject to the CSRC's filing requirement starting from March 31, 2023.

On October 9, 2023, we submitted initial filing documents to the CSRC, and the CSRC published the notification on our completion of the required filing procedures on January 19, 2024 for this [REDACTED].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

After the Track Record Period, gold prices continued to show volatility, rising from RMB549.2/g as of July 1, 2024, to RMB563.3/g as of July 31, 2024, then increasing to RMB573.4/g as of August 30, 2024, and further to RMB627.7/g as of the Latest Practicable Date, according to the closing gold price of Au9999 quoted on the Shanghai Gold Exchange. Such increase in gold price resulted in our loss from Au (T+D) contracts and gold loans, and our net profits and net profit margins for the year ending December 31, 2024 may also be negatively affected if the gold prices continue to trend upwards in the remaining period of 2024. We generally manage our exposure to gold price fluctuations by utilizing gold loans and Au (T+D) contracts as economic hedges against gold price fluctuations. For details of the Au (T+D) contracts and gold loans, and their impacts on our net profits and net profit margins, please see "— Net Profit Margin — Effects of Au (T+D) Contracts and Gold Loans as Hedging Strategies." On the other hand, the continuous rise in gold prices after June 2024 has positively impacted our gross profit and gross profit margin. However, as gold prices are currently at a relatively high level, if gold prices remain steady or decline in the future, our gross profit and gross profit margin may be adversely affected or even become negative.

Our Directors confirm that save as the negative impact of loss from Au (T+D) contracts and gold loans due to increase of gold price, there has been no material adverse change in our business, financial condition, or result of operations, nor has there been any material adverse change in our revenue, cost of sales, gross profit, and gross profit margin since June 30, 2024, the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this document, up to the date of this document.

THIRD-PARTY SETTLEMENT ARRANGEMENT

For the years ended December 31, 2021, 2022 and 2023, 573, 669 and 554 of our franchisees entered into designation letters and settled transactions with us through accounts of third parties designated by them ("**Third-party Settlement Arrangement**"). In view of the risks relating to such Third-party Settlement Arrangement, we have taken steps to cease our Third-party Settlement Arrangement. On November 14, 2023, we issued notices and informed the Relevant Counterparties of our intention to cease the Third-party Settlement Arrangement with effect from January 1, 2024. All Third-party Settlement Arrangements have been ceased since January 1, 2024 and all settlements thereafter have been made by the relevant franchisees. Out of the 554 Relevant Counterparties who adopted Third-party Settlement Arrangement during the year ended December 31, 2023, 531, or 95.8%, of them remained as our franchisees as of the Latest Practicable Date.

After due and careful consideration, our Directors confirm that subsequent to the cessation of Third-party Settlement Arrangement on January 1, 2024 and up to the Latest Practicable Date, save as disclosed in the paragraphs headed "[REDACTED]" in this section, we did not have any significant non-recurrent items in our consolidated financial statements. Our Directors also confirmed that, subsequent to the Track Record Period and up to the Latest Practicable Date, (i) there was no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event occurred that would materially and adversely affect the data shown in the Accountants' Report set out in Appendix I to this document. Our Directors further confirm that going forward, we will not accept Third-party Settlement Arrangement and any other payments from third-party payors.

[REDACTED]

All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of the [REDACTED][1]	HK$[REDACTED] million	HK$[REDACTED] million
Market capitalization of the [REDACTED][2]	HK$[REDACTED] million	HK$[REDACTED] million
[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 per Share[3] .	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of market capitalization is based on the assumption that [REDACTED] [REDACTED] will be in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and that [REDACTED] [REDACTED] that will be converted into [REDACTED] upon the completion of the [REDACTED].

(2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].

(3) The [REDACTED] adjusted consolidated net tangible assets per [REDACTED] in the above table is calculated after the adjustments referred to in the section headed "[REDACTED] Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company" set out in "Appendix II — [REDACTED] Financial Information" to this document and on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised.

LAND AND PROPERTIES

As of the Latest Practicable Date, we owned six parcels of land, with an aggregate area of approximately 178,173.5 sq.m., and 34 buildings or units, with an aggregate building floor area of approximately 144,938.7 sq.m. in the PRC. For further details, see "Business — Land and Properties" and the Property Valuation Report in Appendix III to this document.

SUMMARY OF LAWS AND REGULATIONS RELATED TO THE INDUSTRY IN WHICH THE COMPANY OPERATES

Relevant to the gold and jewellery industry

The regulations applicable to the gold and jewellery industry mainly include the Decision of the State Council in Relation to the Cancellation of the Second Batch of Administrative Approval Items and Amendment to the Management Method of Certain Administrative Approval Items (《國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定》), the Administrative Regulations on Gold and Silver of the PRC (《中華人民共和國金銀管理條例》) and the Measures for the Administration of the Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理辦法》). For details, see "Regulatory Overview — Regulations Related to the Gold Jewellery Industry". Pursuant to the aforesaid provisions, gold and gold products imported and exported through processing trade are exempt from obtaining the "PBOC Import and Export Permit for Gold and Gold Products" (《中國人民銀行黃金及黃金製品進出口准許證》) issued by the PBOC, and are supervised by customs. As of the Latest Practicable Date, we have processed the export of spring clasps through processing trade method and handled the processing trade ledger.

Relevant to product manufacturing

The regulations applicable to product production mainly include the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Fire Protection Law of the PRC (《中華人民共和國消防法》), and the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). For details, see the "Regulatory Overview — Regulations Related to Production". As of the Latest Practicable Date, our Group has completed the necessary procedures required for production.

Relevant to sales of products

We are subject to laws and regulations relating to the sale of our products, including the Administrative Regulations on Commercial Franchised Operation (《商業特許經營管理條例》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Protection of the Rights and Interests of Consumers Law of the PRC (《中華人民共和國消費者權益保護法》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Advertisement Law of the PRC (《中華人民共和國廣告法》) and the E-commerce Law of the PRC (《中華人民共和國電子商務法》). For details, see "Regulatory Overview — Regulations Related to Franchised Commercial Operation" and "Regulatory Overview — Regulations Regarding the Sale of Products". As of the Latest Practicable Date, our Group completed for the filing of franchised commercial operation with the Ministry of Commerce and our Group has taken measures to minimize the risk of product sales.

Relevant to anti-unfair competition and anti-commercial bribery

The regulations applicable to anti-unfair competition and anti-commercial bribery mainly include the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). For details, please refer to "Regulatory Overview — Regulations Regarding the Sale of Products". According to the above regulations, operators are not allowed to bribe any employees of the counterpart entity, any entity or personnel entrusted by the counterparty, or influence the entity or personnel of the counterparty to gain commercial opportunities or competitive advantages through their power during production and operation activities. As of the Latest Practicable Date, the Company has reduced the legal risks of commercial bribery by implementing an "Anti-Corruption and Anti-Bribery Management System", and establishing a commercial bribery reporting hotline.

Having considered that (i) as advised by our PRC Legal Advisor, we have obtained all licenses, permits and certificates required to conduct our business in all material respects from the relevant PRC government authorities, and we have not been subject to significant administrative penalties during the Track Record Period and up to the Latest Practicable Date; and (ii) we have obtained compliance certificates with respect to our business operations from the relevant authorities during the Track Record Period, our Directors are of the opinion that our Group has complied with the applicable laws and regulations including those on product quality and consumer protection in China that affect our business activities in all material respects during the Track Record Period and up to the Latest Practicable Date.

SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- Our business and future growth prospects rely on consumer demand for our products. Any changes in market trends, consumers' demand or preferences, may materially and adversely affect our business and results of operations

- We have limited control over the operations of our franchisees. If we cannot maintain or further develop our collaborations with franchisees or if there are any illegal actions, misconduct or any failure by our franchisees to provide satisfactory services, our business, financial conditions and results of operations could be adversely affected

- Our business could be materially adversely affected if we cannot protect our trade name and other intellectual property rights or if we face any negative publicity

- Our production machinery and technical know-how may become out-of-date which may affect our business, financial conditions and results of operations

- Fluctuation of raw material prices could adversely affect our business, financial conditions and results of operations

- We may not be successful in utilizing gold price exposure management method to manage the fluctuations in gold price

- We rely on our in-house and franchisees' sales and marketing force to promote our brand. If the sales and marketing personnel are unable to implement effective marketing or sales campaign, our business, financial conditions and results of operations could be adversely affected

- We rely on our major suppliers whose supply may materially and adversely affect our business, financial conditions and results of operations
- Competition in the gold jewellery manufacturing and retail industry is intense and could cause us to lose market share, thereby materially and adversely affecting our business, financial conditions and results of operations

NON-COMPLIANCE

For details of the non-compliance on failure to contribute in full social insurance and housing provident funds and our measures to ensure compliance, see "Business — Compliance and legal proceedings — Non-compliance". We will adopt enhanced internal controls, such as distributing compliance policies to employees, assigning designated personnel to implement policies and senior management to monitor compliance status. We will also maintain regular communication with relevant PRC authorities and external legal advisers to assess non-compliance risks. Save as disclosed, we are in compliance with laws and regulations in the PRC in material respects during the Track Record Period and up to the Latest Practicable Date.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of the Company adopted by the Shareholders on September 20, 2023 and with effect from the [REDACTED], as amended from time to time, a summary of which is set out in Appendix VI to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Chengxin"	Beijing Chengxin Mokingran Jewellery Limited* (北京誠信夢金園珠寶首飾有限公司), a company established in the PRC on March 9, 2010 and a wholly-owned subsidiary of our Company
"Beijing Mokingran"	Beijing Mokingran Jewellery Limited* (北京夢金園珠寶首飾有限公司), a company established in the PRC on August 21, 2017 and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"Business Day(s)" or "business day(s)"	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

"Changle Chengxin"	Changle Chengxin Gold Limited* (昌樂誠信黃金有限公司), a company established in the PRC on September 8, 2003 and a wholly-owned subsidiary of our Company
"Changle Mokingran"	Changle Mokingran Jewellery Limited* (昌樂夢金園珠寶有限公司), a company established in the PRC on April 11, 2024 and a wholly-owned subsidiary of our Company
"Chengcheng Dinghui"	Guangzhou Chengcheng Dinghui Equity Investment Partnership (Limited Partnership)* (廣州成誠鼎暉股權投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 30, 2017, our promoter and an Independent Third Party
"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CITIC Securities Investment"	CITIC Securities Investment Limited* (中信証券投資有限公司), a company established in the PRC on April 1, 2012, our [REDACTED] and an Independent Third Party
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company", and "the Company"	MOKINGRAN JEWELLERY GROUP CO., LTD. (夢金園黃金珠寶集團股份有限公司), a limited liability company established in the PRC on September 8, 2000 and was further converted into a joint stock limited company on June 29, 2018, which was formerly known as "Changle Huaye Jewellery Limited* (昌樂華業珠寶有限公司)", "Tianjin Mokingran Jewellery Limited* (天津夢金園珠寶首飾有限公司)", "Tianjin Mokingran Gold Jewellery Limited* (天津夢金園黃金珠寶有限公司)" and "Mokingran Gold Jewellery Group Limited* (夢金園黃金珠寶集團有限公司)"
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng. See "Relationship with Our Controlling Shareholders" for further details
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CSDC"	China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	the director(s) of our Company, including all executive and independent non-executive directors
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi

"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Employee Share Ownership Scheme"	the employee share ownership scheme adopted by our Company on March 10, 2016
"Employee Shareholding Platforms"	Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FIL"	Foreign Investment Law of the PRC (中華人民共和國外商投資法)
[REDACTED]	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Greater China"	the PRC, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan
"Group", "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Mokingran"	Guangdong Mokingran Jewellery Limited* (廣東夢金園珠寶首飾有限公司), a company established in the PRC on August 1, 2017 and a wholly-owned subsidiary of our Company
"Hangzhou Mokingran"	Hangzhou Mokingran Jewellery Limited* (杭州夢金園珠寶首飾有限公司), a company established in the PRC on August 26, 2016 and a wholly-owned subsidiary of our Company

"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
[REDACTED]	[REDACTED]
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Mokingran"	HONG KONG MOKINGRAN JEWELLERY GROUP LIMITED (香港夢金園國際珠寶集團有限公司), a company incorporated in Hong Kong on April 25, 2003 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

[REDACTED]	[REDACTED]
"Huang Yi"	Ms. Huang Yi (黃怡), our [REDACTED]
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"industry report"	the report commissioned by the Company and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this document

[REDACTED]	[REDACTED]
"Jiaxing Yugang"	Jiaxing Yugang Investment Management Partnership (Limited Partnership)* (嘉興煜港投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 31, 2017, our promoter and an Independent Third Party
"Jinlong Partnership"	Tianjin Jinlong Enterprise Management Partnership (Limited Partnership)* (天津金隆企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 16, 2016 and our Controlling Shareholder
"Jinan Chengxin"	Jinan Chengxin Mokingran Jewellery Limited* (濟南誠信夢金園珠寶首飾有限公司), a company established in the PRC on May 15, 2019 and an indirect wholly-owned subsidiary of our Company
"Jinan Mokingran"	Jinan Mokingran Jewellery Limited* (濟南夢金園黃金珠寶有限公司), a company established in the PRC on June 17, 2011 and a wholly-owned subsidiary of our Company

"Jinmeng Partnership"	Tianjin Jinmeng Enterprise Management Partnership (Limited Partnership)* (天津金夢企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 16, 2016 and our Controlling Shareholder
"Jinyuan Partnership"	Tianjin Jinyuan Enterprise Management Partnership (Limited Partnership)* (天津金園企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 16, 2016 and our Controlling Shareholder
"Latest Practicable Date"	[November 3, 2024], being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"Lhasa Jinqianhui"	Lhasa Jinqianhui Technology Limited* (拉薩金千匯科技有限公司), a company established in the PRC on April 1, 2024 and a wholly-owned subsidiary of Shenzhen E-commerce
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"MOHRSS"	Ministry of Human Resources and Social Security of PRC (中華人民共和國人力資源和社會保障部)
"Nanjing Mokingran"	Nanjing Mokingran Jewellery Limited* (南京夢金園珠寶首飾有限公司), a company established in the PRC on September 24, 2013 and a wholly-owned subsidiary of our Company

"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OBM"	original brand manufacturer, a manufacturer that develops and owns the design of a product which is marketed and sold under the manufacturer's own brand name
[REDACTED]	[REDACTED]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Ping An Tianyu"	Shenzhen Pingan Tianyu Equity Investment Fund Partnership (Limited Partnership)* (深圳平安天煜股權投資基金合夥企業(有限合夥)), a limited liability partnership established in the PRC on December 7, 2015, the promoter and an Independent Third Party
"PRC Legal Advisor"	Jia Yuan Law Offices, PRC legal advisor to our Company

"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"[REDACTED]"	the [REDACTED] in our Company undertaken by the [REDACTED], details of which are set out in the section headed "History, Development and Corporate Structure — [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] of [REDACTED], including Tianjin Haikai Xinchuang, CITIC Securities Investment, Mr. Zhao Duxue, Ms. Huang Yi, Ms. Zhang Yizhen and Mr. Zhang Jianjun
"[REDACTED]"	[REDACTED]
"document"	this document being issued in connection with the [REDACTED]
"provincial-dealer(s)"	external party responsible for distribution of our products to franchisees in the regions they serve
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation (國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong

"Shandong E-commerce"	Shandong Mokingran E-commerce Limited* (山東夢金園電子商務有限公司), a company established in the PRC on December 12, 2014 and an indirect wholly-owned subsidiary of our Company
"Shandong Mokingran"	Shandong Mokingran Jewellery Limited* (山東夢金園珠寶首飾有限公司), a company established in the PRC on April 5, 2004 and a wholly-owned subsidiary of our Company
"Shandong Yifu"	Shandong Yifu Gold Jewellery Limited* (山東億福金業珠寶首飾有限公司), a company established in the PRC on August 2, 2007 and a wholly-owned subsidiary of our Company
"Shanghai Yuanjunmeng"	Shanghai Yuanjunmeng Diamond Limited* (上海緣君夢鑽石有限公司), a company established in the PRC on December 3, 2014 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising [REDACTED] Shares and [REDACTED]
"Shareholder(s)"	holders of our Shares
"Shenyang Mokingran"	Shenyang Mokingran Jewellery Limited* (瀋陽市夢金園珠寶首飾有限公司), a company established in the PRC on April 7, 2015 and a wholly-owned subsidiary of our Company
"Shenzhen E-commerce"	Shenzhen Mokingran E-commerce Limited* (深圳夢金園電子商務有限公司), a company established in the PRC on August 22, 2018 owned as to 51% by Shandong E-commerce and 49% by Shenzhen City Gold Chief Executive Technology Culture Co., Ltd.* (深圳市金總裁科技文化有限公司), an Independent Third Party
"Shenzhen Mokingran"	Shenzhen Mokingran Jewellery Limited* (深圳市夢金園珠寶首飾有限公司), a company established in the PRC on December 10, 2010 and a wholly-owned subsidiary of our Company
"Sole Sponsor"	CITIC Securities (Hong Kong) Limited
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"[REDACTED] Agreement"	the [REDACTED] agreement expected to be entered into on or about the [REDACTED] between the [REDACTED] (or any person acting for it) and [REDACTED]
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Haikai Xinchuang"	Tianjin Haikai Xinchuang Industry Development Co., Ltd.* (天津海開信創產業發展有限公司), formerly known as Tianjin City Tanggu Economic Development Zone Industrial Investment Company* (天津市塘沽經濟開發區工業投資公司), a company established in the PRC on December 3, 1992, our [REDACTED] and an Independent Third Party
"Tianjin Mokingran"	Tianjin Mokingran Jewellery Limited* (天津夢金園珠寶首飾有限公司), a company established in the PRC on November 27, 2015 and a wholly-owned subsidiary of our Company
"Tianjin Yuanjinmeng"	Tianjin Yuanjinmeng Enterprise Management Consultancy Co., Ltd.* (天津園金夢企業管理諮詢有限公司), a company established in the PRC on November 27, 2015 and our Controlling Shareholder
"Tianjin Zongyi"	Tianjin Zongyi Technology Development Limited* (天津宗儀科技研發有限公司), a company established in the PRC on March 21, 2014 and a wholly-owned subsidiary of our Company

"Track Record Period"	the period comprising the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
[REDACTED]	[REDACTED]
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"[REDACTED] Share(s)"	[REDACTED] ordinary Share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not [REDACTED] on any stock exchange
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value added tax
[REDACTED]	[REDACTED]
"Zhang Jianjun"	Mr. Zhang Jianjun (張建軍), our [REDACTED] and an Independent Third Party
"Zhang Yizhen"	Ms. Zhang Yizhen (張義貞), our [REDACTED] and an Independent Third Party
"Zhao Duxue"	Mr. Zhao Duxue (趙篤學), our [REDACTED] and an Independent Third Party
"Zhengzhou Mokingran"	Zhengzhou Mokingran Jewellery Limited* (鄭州夢金園珠寶首飾有限公司), a company established in the PRC on August 3, 2015 and a wholly-owned subsidiary of our Company

"Zhongbao Zhengxin"	Zhongbao Zhengxin Gold & Silver Jewellery Testing Limited* (中寶正信金銀珠寶首飾檢測有限公司), a company established in the PRC on March 26, 2013 and a wholly-owned subsidiary of our Company

* *For identification purposes*

Certain amounts and percentage figures included in this document 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.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"3D"	three dimensional
"999"	gold with 99.9% fineness
"999.9"	gold with 99.99% fineness
"999.99"	gold with 99.999% fineness
"999.999"	gold with 99.9999% fineness
"Au9995"	gold with 99.95% fineness
"Au9999"	gold with 99.99% fineness
"Au (T+D)"	Au (T+D) is a standardized contract employed by the Shanghai Gold Exchange. It involves the delivery of a predetermined amount of gold at a predetermined price on a specified future date
"CAGR"	compound annual growth rate
"carat"	a unit of weight for diamonds and gemstones, each of which is equal to 200 milligrams
"CNC"	computerized numerical control
"CRM system"	our proprietary customer relationship management system which provides centralized management over various aspects of our sales and distribution network, and enhanced with client information categorization and analysis, sales personnel check-in and workload management, as well as logistics data management
"fine jewellery"	jewellery products principally made of gold, diamonds and other precious metals

GLOSSARY OF TECHNICAL TERMS

"gold bullion"	gold bullion refers to high purity gold metal bulks primarily sold in bulk as an investment instrument for investors to hedge against currency, inflation and geopolitical risks, and is fundamentally different form gold jewellery which is primarily sold as a consumable good
"high-purity"	gold with 99.99% fineness or higher
"long position"	position in which a person owns a positive amount of the relevant financial instrument
"millennials and Gen Z"	people who were born between 1981 and 2012
"ICP"	inductively coupled plasma
"ISO"	International Organization for Standardization
"K"	a unit of measure for the fineness of gold
"K-gold"	alloy formed by fusion of gold and other metals, which the gold purity is no less than 375‰ and no more than 916‰
"ounce"	a unit of weight for gold, each of which is equal to approximately 28 grams
"short position"	position in the relevant financial instrument as a result of selling the financial instrument when there was no exercisable right to the financial instrument or the sale was subject to a short selling order
"ton"	metric ton, a unit measuring weight, equal to 1,000 kilograms
"%"	per cent
"‰"	thousandth

FORWARD-LOOKING STATEMENTS

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;

- capital market developments;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- all other risks and uncertainties described in the section headed "Risk Factors" in this document; and
- other statements in this document that are not historical facts.

This document also contains market data and projects that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as at the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, 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 document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section. In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

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

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

We believe there are certain risks and uncertainties involved in our operations and the industry, some of which are beyond our control. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial conditions and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to effectively manage any overlap or potential competition among our franchisees, provincial-dealers and self-operated stores, and across our different sales channels

During the Track Record Period, we sold our products through various channels including our franchise network entailing franchisees and provincial-dealers, e-commerce sales and self-operated stores. Our success depends heavily on our ability to maintain and expand these channels and distribution network. Despite our anti-cannibalization measures, our franchisees, provincial-dealers and self-operated stores may still engage in cannibalization activities, such as cross-region sales in contravention of their contractual obligations. They may also fail to effectively manage competition among themselves, which may result in cannibalization within our distribution network. We cannot assure you that our measures to manage overlap or potential competition among our sales channels will be effective. As a result, the expansion of our sales network may not lead to a proportionate expansion of our sales revenue. Furthermore, adverse competition and cannibalization among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our business, financial conditions and results of operations.

Our business and future growth prospects rely on market demand for our products. Any challenging economic conditions or changes in market demand, may materially and adversely affect our business and results of operations

Our success depends substantially on our continued ability to offer appealing and high-quality gold jewellery to meet the market demand. The demand for our gold jewellery products depends, in part, on the income and spending patterns of our end consumers, which are affected by prevailing economic conditions.

Given the diversity of our consumers in the PRC, buying habits, market trends, tastes and preferences may vary from region to region. Consumers preferences differ and shift over time in response to changing aesthetics and economic preferences. Accordingly, we must continuously develop and offer products with various designs and characteristics across our product categories that align with regional market trends and meet with consumers preferences and we must effectively execute various strategies, such as:

- accurately assess and meet consumers needs;
- keep our product research and development up-to-date and conform with fashion trend;
- provide high quality and artistic products;
- price our products competitively;
- conduct effective marketing activities;
- effectively integrate customer and consumers' feedback into our business planning and improvement; and
- increase our production capacity, customer service, franchise network management and general process improvements.

In addition, decreasing gold prices may reduce consumers' willingness to purchase gold jewellery, as gold is often valued not only for its consumption value but also for its investment value. When gold prices decline, consumers may perceive gold jewellery as less valuable and prefer other investment options, which can lead to reduced demand for our products and negatively impact our sales and revenue.

We cannot assure you that general market demand will not be adversely affected by challenging economic conditions or changes in market demand. If we fail to adapt to changes in economic conditions or fail to launch new products that meet market demand in a timely manner, our business, financial performance, and results of operations may be adversely impacted.

If we are unable to respond effectively to changes in market trends and consumer preferences, our market share and result of operations could be adversely affected

The success of our business is dependent on our ability to identify market trends and consumer preferences, and then to design and bring our products to market in a timely manner that meet the current preferences of a wide range of consumers. We manufacture and sell gold jewellery products in the PRC, offering a diverse product portfolio that includes rings, necklaces, pendants, bangles, earrings, brooches, and bracelets, among others. Our gold jewellery product lines feature collections such as "Blessing and Happiness," "Ancient Style, Pray for Good Luck," "Little Dream," "Praying for Good Luck for Newborns," as well as K-gold lines "Stella" and "Crown," and the diamond collection "Blessed with Flowers." As gold jewellery is a high-end discretionary product, our sales are generally sensitive to changes in economic conditions and consumer confidence.

According to Frost & Sullivan, product customization and individualization that reflect consumer preferences are becoming industry trends. We believe our continued success depends on our ability to anticipate, identify, and interpret consumer habits, consumption trends, and tastes, and to offer products that align with their preferences. Consumer preferences for discretionary products are influenced by numerous factors beyond our control, such as general economic conditions, inflation, availability of consumer credit, taxation, employment trends, and the stock and real estate markets. Additionally, major social events, such as public health emergencies, may lead to the temporary closure of offices, retail stores, and manufacturing facilities, impacting economic activity. An economic downturn, recession, or uncertainty could adversely affect the purchasing power of our customers and consumers, and we believe it may also shift consumer preferences regarding gold jewellery products.

As we diversify and expand our product portfolio, we need to invest further in technology development and digitalized machinery development, launch new designs, initiate cooperation with different designers, recruit more staff with expertise in managing different product categories, and enhance our operational and financial systems, internal procedures and internal control for more effective product development and management. It may also require the development of new marketing strategies to accommodate different needs. All of these endeavors involve risks and uncertainties, and require substantial planning, skillful execution and significant expenditures.

However, market trends and consumer preferences may shift over time in response to changing economic circumstances. If we fail to anticipate or response to changes in market trends or consumer preferences, or fail to bring to market in a timely manner products that satisfy new trend or preferences, our market share and our sales and profitability could be adversely affected.

Fluctuation of raw material prices could adversely affect our business, financial conditions and results of operations

Gold is the major raw materials of our gold jewellery products. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our purchase of gold accounted for approximately 99.0%, 99.2%, 99.5% and 99.6% of our total purchase of raw materials, respectively. Fluctuations in gold price are inherently difficult to predict, being dependent on numerous factors beyond our control, including, among others:

- the demand and supply of gold;
- consumers' preference and investor confidence in gold and the gold business;
- the fluctuations in currencies;
- demand for other investment alternatives, including the emerging demand for cryptocurrency; and
- international or regional political and economic events or trends.

A significant fluctuation in gold prices may affect our revenue and cashflow, and may have an adverse impact on customers' and their consumers' demand. As a result, any significant price increase of our raw materials may have an adverse effect on our business, financial conditions and results of operations. On the other hand, if gold prices decrease sharply in the future, consumers may perceive gold jewellery as less valuable and many prefer other investment options, leading to reduced demand for our products and negatively affecting our sales and revenue. During the Track Record Period, there was a general upward trend of gold price. If the gold price decreases in the future, our gross profits and gross profits margins may be negatively impacted.

Beyond the fluctuations in gold prices, the demand for our gold jewellery products depends on the economic conditions, such as job market outlook. Any adverse economic developments could result in reduced demand for our gold jewellery products, which in turn could result in lower revenue and reduced profits.

Moreover, the impact of gold prices on customer demand is not always direct or straightforward. Customers' discretionary spending decisions may be influenced by many factors such as consumers' preferences, market trends, sales and marketing strategies, economic conditions and seasonality. Therefore, it is difficult to ascertain the impact of any future fluctuation in the prices of gold on consumers' demand for gold products or with our sales and profitability.

We have limited control over the operations of our franchisees and provincial-dealers. If we cannot maintain or further develop our collaborations with franchisees and provincial-dealers or if there are any illegal actions, misconduct or any failure by our franchisees and provincial-dealers to provide satisfactory services, our business, financial conditions and results of operations could be adversely affected

In order to expand our retail presence in third and lower tier cities in the PRC in a cost effective and efficient manner, we collaborate with franchisees and provincial-dealers and have built a strong franchise network together. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had 2,680, 2,743, 2,817 and 2,850 franchise stores, respectively across multiple provinces and over 250 cities. Our results of operations are subject to the performance of these franchise stores and our success in part depends on our ability to maintain and strengthen our relationships with existing franchisees and provincial-dealers and continue to build new relationships with additional franchisees and provincial-dealers.

Our franchise agreements and provincial-dealer agreements generally have a term of one year, which may be renewed upon mutual agreement. Our collaboration with franchisees and provincial-dealers is governed by franchise agreements and provincial-dealer agreements, and we have a set of strict standards for selecting our franchisees and provincial-dealers including a thorough and systematic evaluation of their industry experiences, sales record histories, financial backgrounds, commercial resources and long-term goals. See "Business — Sales and Distribution Channels" for further details. Nevertheless, our ability to manage the activities of our franchisees and provincial-dealers is limited, and our franchisees and provincial-dealers may take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and reputation:

- breaching our agreements with them, including selling products below our recommended retail prices, selling our products through channels other than our designated sales areas and escrowing gold products on behalf of their end consumers;
- failing to adequately promote our products;
- failing to provide proper training to their staff, thereby affecting the quality of services they provide;
- violating applicable laws and regulations, including those on anti-money laundering, anti-bribery, competition or other applicable rules and regulations.

Although we supervise the sales activities of our franchisees and provincial-dealers, we cannot assure you that they will comply with our pricing policies at all times and will not compete using aggressive discounts, which could lead to negative customer/consumer perception of our products. At the same time, we cannot assure you that our franchisees and provincial-dealers will not make decisions or take actions that are not in our best interests, or engage in any misconduct such as violation of laws or regulations, thereby harming our reputation, and causing diversion of our management resources to deal with the negative publicity or exposing us to potential claims and/or litigations from third parties. Such actions by our franchisees and provincial-dealers would harm our reputation.

We cannot assure you that all of our franchisees and provincial-dealers will maintain their business relationships with us, or if the existing franchisees and provincial-dealers stop cooperating with us for any reasons, or if we fail to replace new franchisees and provincial-dealers in a timely manner, we will likely be unable to generate sufficient market presence, leading to insufficient demand of our products for us to achieve profitability. The failure to maintain or further develop our collaborations with franchisees and provincial-dealers could adversely affect our business, financial conditions and results of operations.

We or our franchisees may not be able to find suitable locations for new self-operated stores and franchise stores on commercially acceptable terms, which may adversely affect our sales and distribution channels, and expansion and growth prospects

Our sales performance is directly affected by the location of our new self-operated stores and franchise stores. When selecting a site for self-operated store or approving the location of franchise store, we take into account various factors, including but not limited to:

- the distance among our stores;
- its convenience and accessibility to our target consumer groups (standards will differ depending on locations, for example the density of our stores will be higher in higher-tier cities to make our products more easily accessible);
- the availability of space for our stores; and
- the level of surrounding competition with our competitors.

For our self-operated stores, the term of the majority of our leases ranges from one year to three years. It is important to our business that the existing leases for our self-operated stores can be maintained and renewed seamlessly at comparable prices. Going forward, as we open more self-operated stores, we will need to secure more retail locations through leases or acquisition of properties, which will be determined on a case-by-case basis. Similarly, the locations for setting up franchise stores have to be strategically picked. The supply of prime locations for new self-operated stores and franchise stores is scarce and the competition to secure these locations is intense. As a result, we may not be able to identify and lease or acquire suitable locations for our new self-operated stores.

Our ability to purchase or lease suitable properties on acceptable terms is critical to the success of our business and expansion strategy. We cannot assure you that we will be able to lease or acquire suitable locations on terms commercially acceptable to us, as we have been able to do so in the past. In the event that we encounter difficulties in securing suitable sites for self-operated stores in the localities we plan to expand into, our business and growth prospects will be adversely affected.

Our new franchise stores may not achieve expected level of operation within our desired time frame, or at all

As of June 30, 2024, we had 2,850 franchise stores. As part of our growth strategy, we plan to further expand more franchise stores within our current geographical areas and expand into new regions where we currently have no presence. Opening new franchise stores requires franchisees' significant upfront capital outlays, including inventory purchases, and the hiring and training of managers and sales staff and our franchisees may not have sufficient operating cash flow to conduct proper sales and marketing activities to generate sales.

A new franchise store may not achieve our expected level of operations for a prolonged period of time, or at all, due to a variety of factors, including, among others, (i) franchisees' ability to properly position new franchise stores and to execute business strategy in the locality, (ii) actions taken by our existing or new competitors in the same locality and (iii) the effectiveness of our marketing activities in the locality. Some of these factors are not entirely within our control.

Our franchisees may not successfully conduct business in a manner that meets our expectations and requirements. As a major portion of our revenue is derived from the sale of gold jewellery through franchise network, if new franchise stores fail to achieve our expected level of operation within the anticipated timeframe, or at all, our expansion plan might be hindered. This may, in turn, adversely impact our profitability as a result of reduced purchases from our franchise stores.

We may not be successful in utilizing gold price exposure management method to manage the fluctuations in gold price

We enter into gold loans and Au (T+D) contracts to manage the financial impact of gold price fluctuations. On a daily basis, we enter into short position transactions (being our gold loans balance and outstanding Au (T+D) contracts), which is a common price management method adopted by gold jewellery manufacturers according to Frost & Sullivan. On each trading day of Au (T+D), if the gold price declines, we may experience a loss in the value of the gold jewellery sold, but simultaneously benefit from a realised gain on Au (T+D) contracts. Conversely, if the gold price rises, we may incur a loss on Au (T+D) contracts, but we can sell the gold jewellery at a higher price to realize a gain from the increase in gold price. Similarly, by utilizing gold loans, for outstanding gold loans, if the gold price declines, we may experience a loss in the value of the gold jewellery sold, but simultaneously we may benefit from a fair value gain on such gold loans. Conversely, if the gold price rises, we may incur a loss on gold loans, but we can sell the gold jewellery at a higher price to realize a gain from the increase in gold price. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our Group had a net shortfall of 199.8kg, 169.6kg, 65.9kg and 70.4kg of gold inventory against the gold balances from Au (T+D) and gold loans, which were subject to gold price fluctuations, respectively. For details of Au (T+D) contracts and its function, please refer to the section headed "Business — Our Procurement/ Suppliers — Procurement of Gold — (b) Gold Price Exposure Management to Manage Fluctuations of Raw Material Price — Adoption of Au (T+D) contracts".

Any potential gain or loss from such Au (T+D) contracts and gold loans arrangement will be largely offset by the inherent effect arising from our business. We intend to continue using gold loans and Au (T+D) contracts to manage gold price fluctuations in the future. However, we cannot assure that such arrangement will continue to be effective in managing gold price movements and that our arrangement will be able to protect us from unfavorable gold price movements. Failure to utilize our exposure to gold price movements could have a material and adverse effect on our business, financial condition and results of operations.

We rely on our in-house and franchisees' sales and marketing force to promote our brand. If the sales and marketing personnel are unable to implement effective marketing or sales campaign, our business, financial conditions and results of operations could be adversely affected

Effective sales and marketing initiatives are crucial for us to increase the market penetration rate of our existing products, extend our brand awareness and enforce effective promotion of our new products in the future. For instance, we initiated the "One RMB Exchange" promotion running for up to a week annually which franchisees may accept consumer trade-in of their used high-purity "Wan Purity" series gold jewellery of 999.9 for new pieces of "Wan Purity" series gold jewellery at a nominal crafting fee of one RMB per traded-in gram of gold with our franchisees or at our self-operated stores, and full price of any addition of gold purchased. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales and business prospects could be adversely affected.

The sales and marketing force must possess a high level of gold jewellery knowledge, up-to-date understanding of industry trends, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales personnel or monitor and evaluate their marketing performances, our sales and marketing may be less successful than desired.

We are exposed to credit period risk imposed by our franchisees and provincial-dealers

Although we have a credit period management policy, we are still exposed to certain risks when it comes to payments from franchisees and provincial-dealers. During the Track Record Period, we lent gold products to customers on a case-by-case basis to replenish their stocks. Our ability to collect depends on supply and demand dynamics, budgetary cycles, shifting availability of funds and other factors that may not be within our control. For details of credit period risks from our franchisees and provincial-dealers, please refer to the section headed "Business — Sales and Distribution Channels — Offline Sales — (a) Franchise Stores". Our credit period risk arises from default by our counterparties, including our franchisees. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had trade receivables of RMB98.0 million, RMB130.9 million, RMB150.5 million and RMB171.2 million, respectively. We generally grant to our provincial-dealers and franchisees a credit period ranging from three days to 90 days. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our average trade receivables turnover days were 2.0 days, 2.7 days, 2.5 days and 2.9 days, respectively. We cannot guarantee that we can always detect potential default by our franchisees. If we cannot collect trade receivables on time, our liquidity, result of operation and financial condition may be adversely affected. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to initiate legal proceedings and to terminate our relationships with franchisees in a manner that will impair our sales, which in turn would adversely impact our business, financial conditions and results of operation. See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables" and "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Net reversal of impairment losses/(impairment losses) under expected credit loss model" for further details.

Our business could be materially adversely affected if we cannot protect our trade name and other intellectual property rights or if we face any negative publicity

Our ability to sell our gold jewellery products relies on the strength of our trade name. Any deterioration in the reputation of our trade name could have an adverse effect on our sales, profitability and implementation of growth strategy. As of the Latest Practicable Date, we registered 678 trademarks and 601 patents in the PRC and had 33 trademarks registered outside the PRC to protect our trade name.

We cannot assure you that our trade name and intellectual property rights will not be subject to any infringement in the future. Any unauthorized use of our trade name or intellectual property rights, including in locations where we do not operate, could harm our brand, market image and reputation, which could adversely affect our business, financial conditions and results of operations.

Trade names that are identical or similar to our trade name may have been registered or used by third parties in other markets we may enter. As a result, we may incur significant expenses should we decide to acquire the right to use our trade name in these markets. If we are unable to acquire these rights on acceptable terms, or at all, we may be unable to enter these markets using our trade name. Furthermore, others may attempt to counterfeit our products, sell "夢金園" brand look-a-likes or make unauthorized use of our trademarks and proprietary information, including the content on our website. The unauthorized use of our trade name and trademarks in counterfeit products could harm our market image and reputation, which could have a material adverse effect on our business, financial conditions and results of operations.

Furthermore, any negative publicity concerning us, our affiliates or subsidiaries, even if untrue, could adversely affect our reputation and business prospects, which could damage our brand image or have a material adverse effect on our business, financial conditions and results of operations. Damage to our reputation could be difficult, expensive and time-consuming to restore and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce [REDACTED] confidence in us, adversely affecting the price of our [REDACTED].

Our production machinery and technical know-how may become out-of-date which may affect our business, financial conditions and results of operations

We have devoted substantial efforts in the development of our production machinery and technical know-how and may incur significant costs in adapting to new requirements or specifications from our major customers due to the requirement of new machineries or know-how. For example, in recent years, we have successfully introduced various self-developed and/or imported industry-leading production equipment such as robotic arms for accessories flipping (首飾抓取自動翻轉機械手), automated carving machines (自動刻花機), automatic butterfly chain punching machines (自動蝴蝶鏈機), chain loosening machines (鬆鏈機), and automatic thin wall gold tube necking machine (薄壁金管自動縮口機), with the prime focuses on the "lightness (輕), craftsmanship (巧), refinement (精), and aesthetic (美)" of our products. Nevertheless, our customers' requirements, product specifications, market trends and statutory requirements are subject to changes. Our competitors may develop production techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques out-of-date and our business non-competitive. Equipment producers may also develop new production machinery which would render our existing machinery out-of-date. Should any of these factors materialize, our business, financial conditions and results of operations could be materially and adversely affected.

We may experience complaints from end customers, or adverse publicity involving our products, services of our self-operated stores and/or franchise network

We believe that brand image is a key consideration for customers when making purchase decisions. Maintaining and enhancing the recognition and reputation of our brand image are therefore pertinent to our business prospect. We face an inherent risk of claims or complaints from our end customers which may or may not be remedied by strengthening our quality control and/or internal control. For instance, we may receive complaints in relation to product quality due to damage done to the packaging or even our products themselves during transportation.

Our brand and reputation might also be harmed by events beyond our control, for example we may be associated with unauthorized sales actions by our franchisees or even with regards to transactions by franchisees not involving our products. Any complaint, claim, or negative publicity against us, even if malicious, meritless or immaterial to our operations, may divert management's attention and other resources away from our day-to-day business operations. End customers may lose confidence in us and our brand, which may adversely affect our business and results of operations. Furthermore, end customer's complaints and negative publicity, including but not limited to negative online reviews on social media, industry findings or media reports relating to our products' quality, whether accurate or not, and whether directing specifically to our products or not, can adversely affect our business, results of operations and reputation.

We or our franchisees may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business

We cannot be certain that any other aspects of our operations or our business, as well as our franchisees' do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We or our franchisees may be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third party intellectual property that is infringed by our products, services or other aspects of our business. There could also be existing intellectual property rights of which we or our franchisees are not aware that our products may inadvertently infringe upon.

During the Track Record Period, we were involved in lawsuits initiated by Cartier International AG ("**Cartier**") for trademark infringement and improper competition related to our franchisees' sales of products with designs similar to Cartier's. In April 2022, the Tianjin High People's Court ruled that while there was insufficient evidence that the infringing products were manufactured by us, we were jointly responsible for the franchisees' infringing actions and required to pay RMB250,000 to Cartier. We fully settled this amount and did not indemnify the franchisees for their separate RMB180,000 payment liability to Cartier. For further details of lawsuits related to Cartier, please refer to the section headed "Business — Intellectual Property — Trademark disputes with Cartier" in this Document.

The risk of being subject to intellectual property infringement claims will increase as we continue to expand our product offering. We cannot assure you that holders of intellectual property rights purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such intellectual property rights against us in China or any other jurisdictions. If we or our franchisees are found to have infringed the intellectual property rights of others, we may be subject to liability for the infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims against us may result in significant liabilities, which may materially and adversely affect our business, financial conditions and results of operations.

Moreover, our ability to attract, motivate and retain qualified and professional sales force is especially important because we also rely on our in-house sales force to market and sell our products. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, sales of our services may be adversely affected and we may be unable to expand our business coverage or increase our market penetration as contemplated.

We rely on our major suppliers, and the lack of whose supply may materially and adversely affect our business, financial conditions and results of operations

The amount we purchased from our top five suppliers of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 amounted to approximately RMB8,074.1 million, RMB8,528.7 million, RMB12,401.1 million and RMB6,302.2 million for the respective year/period accounting for approximately 96.8%, 98.8%, 97.4% and 98.6% of our total purchase for each of the respective year/period. Purchases from our largest supplier of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 amount to approximately RMB7,585.1 million, RMB8,050.2 million, RMB11,162.6 million and RMB5,317.9 million, respectively, and accounted for approximately 90.9%, 93.2%, 87.6% and 73.4% of our total purchase for the respective year/period.

There is no assurance that we will be able to continue to source sufficient, or high-quality supply of raw materials from any of our major suppliers. In the event that any of our major suppliers, such as commercial banks providing gold loans to us, fails to meet our purchase orders on a timely manner or fails to offer us commercially acceptable terms or fails to supply us with gold of the quality and quantity that we require or terminates their business relationship with us, we may be unable to source sufficient gold from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial conditions and results of operations may be materially and adversely affected.

We may lose or fail to attract consumers if our product quality is compromised or if our product quality does not meet consumers' standards and expectations

As a manufacturer emphasizing on the purity of gold jewellery products, ensuring our product quality is of paramount importance throughout our production process. We attribute our success to our product quality which is derived from automated digitalized manufacturing, product designs and our efforts in enhancing and ensuring the quality of our products. We also provide product warranty policies, including free exchange of products failing to meet the prescribed quality requirements. For further details, please see the section headed "Business — Quality Control" in this document. Any incident that compromises the quality of the products we sell may give rise to claims and litigations, damage our reputation and negative publicity, which in turn may cause material adverse impact on our business, financial conditions and results of operations.

We believe that maintaining and enhancing our product quality is critical to achieving widespread acceptance of our products, strengthening our relationships with consumers and nourishing our ability to attract new consumers. If the quality of our products cannot meet our consumers' standards and expectations, they would lose confidence in us and reduce their purchase with us. If we upset these consumers, they may comment negatively on us, which could harm our brand and reputation. If we fail to attract new customers or retain existing customers, our ability to generate revenue will be materially impaired, and our business, financial conditions and results of operations could be adversely affected.

Competition in the gold jewellery manufacturing and retail industry is intensive and could cause us to lose market share, thereby materially and adversely affecting our business, financial conditions and results of operations

According to Frost & Sullivan, the gold jewellery manufacturing and retail industry in the PRC is competitive. There were approximately 8,000 gold jewellery players in the PRC as of December 31, 2023. If we fail to compete effectively against our competitors, we may not be able to expand and maintain our market share and profitability.

In addition, we also face competition from online and offline gold jewellery retailers and franchisees, many of whom possess well-established brand recognition with promising sales volume and customer bases. Our competitors may have certain advantages over us, including greater financial and technical resources, more secured sources of production raw materials, greater economies of scale, broader brand recognition and more established relationships with customers in certain markets. Some of our competitors may be able to secure raw materials or gold jewellery products from suppliers on more favorable terms, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory availability policies and devote substantially more resources to website and information system development than we do. For instance, in the event that our competitors adopt aggressive pricing strategies and reduce retail prices, our ability to maintain our market share may be adversely impacted, and we may have to intensify our marketing efforts in order to compete effectively, such efforts being more aggressive promotions, or reduction of our retail prices to respond to price competition. All of the aforementioned could have a material adverse impact on our business, financial conditions and results of operations.

There can be no assurance that we will be able to compete successfully against current and future competitors, or that we will be able to address the challenges we face. Our failure to properly respond to increased competition and the above challenges may reduce our profit margins, market share and brand recognition, or force us to incur losses, which will have a material adverse effect on our business, financial conditions and results of operations.

We are subject to environmental protection, fire safety and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury

Our business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. For details, see "Business — Environmental, Health and Work Safety Matters" in this document. Our business operations in China are also subject to fire safety laws. Special construction projects shall be subject to fire protection design review before construction and an inspection before such construction is put into use. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If more stringent regulatory requirements are implemented, we may have to incur significant expenses and divert substantial management time and resources to address such deficiencies, and we may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business operations and financial performance.

In addition, we cannot fully eliminate the risk of accidental personal injury at our production facilities during our production processes. In the event of any accident, we could be held liable for damages that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to suspend operations at certain of our affected production facilities temporarily for investigation and inspection purposes. As a result, any accidental personal injury could have a material and adverse impact on our business, financial conditions and results of operations.

Our business relies on the proper operation of our IT systems, any malfunction of which could materially and adversely affect our business, financial conditions and results of operations

Our business relies on the proper functioning of our IT systems, and we foresee continued reliance in light of our vision to further digitalize our overall operation. Our information technology systems support the operation of our warehouse management system, order management system and online sales channels and enable us to efficiently collect and analyze our operational data and information, including procurement, sales, inventory, order fulfilment, logistics, customer and membership data on a real-time basis. We use our information technology systems in human resources management, inventory control, financial management and retail management. As a result, the proper functioning of our information technology systems is critical for us, among others, to effect marketing and sales and to monitor our inventory level and the level of our sales. We need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our business, financial conditions and results of operations. However, our IT systems may not always operate without interruption and may encounter temporary abnormality or become obsolete. Any malfunction to our information technology systems may negatively affect our ability to continue our operations smoothly, which in turn could adversely affect our business, financial conditions and results of operations. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Outside parties may also attempt to gain access to our data. As hacking and data theft techniques are continuous evolving, our anti-virus systems and security measure may not be able to adjust to these changes in a timely manner.

It is also important that we constantly review our existing IT systems, identify new business needs, provide IT solutions and upgrade our systems. We may not always be successful in developing, installing, running and migrating to new software or systems as required by our business development. Although we did not experience any information technology breakdown during the Track Record Period, we cannot assure you that our information security measures we currently maintain are adequate or that our information technology system can withstand intrusions form or prevent improper usage by third parties. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from these types of investment immediately or at all. All of these may have a material adverse effect on our operations and profitability.

Our sales may be affected by seasonality

The demand of our products is event-driven due to the Chinese tradition of gold jewellery gift-giving at ceremonial and festival events such as Chinese New Year, Valentine's Day, weddings and newborn arrivals. Likewise, the demand of our products is promoted by our "One RMB Exchange" promotion. As a result, our sales are subject to seasonal fluctuations. The peak seasons include the PRC National Day holiday, the period from Chinese New Year till Valentine's Day, and the period during our "One RMB Exchange" promotion which is typically between June and September. Due to these seasonal factors, comparison of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. In addition, these seasonal consumption patterns may cause our business, financial conditions and results of operations to fluctuate from period to period.

We charge a range of fixed crafting fees for our products and our profit margin is affected by the movement in gold price

During the Track Record Period, we achieved high turnover with corresponding profit margins that were low. Such financial result was attributable to: (i) our franchise distribution model, whereby we charged low fixed crafting fees when we sell to provincial-dealers and/or franchisees. In turn, our franchisees are then able to benefit from higher profit margins on subsequent sales to consumers; and (ii) our focus on developing our brand in the third and lower tier cities where consumers may be more price-sensitive. Moreover, due to the fact that our crafting fees are largely fixed but gold prices are subject to material movements, in the event of gold price increase, and where our gold procurement price is equal to the gold component of the selling price, our profit margins would be negatively impacted accordingly. For details on how our gross profit and gross profit margin may be effected by movements in gold price, please see "Summary — Summary of Historical Financial Information and Summary of Major Financial Ratios — Gross profit and gross profit margin." We intend to continue with our existing business model of selling under our existing pricing policy with lower profit margins. We cannot assure you that our profit margins will not fluctuate from time to time, and any decline in our profit margins will adversely impact our financial condition and prospects.

We depend on the continued service of our management team and other key employees, and our business, financial conditions and results of operations will suffer greatly if we lose their services

Our future success is dependent upon the continued service of our senior management, such as Mr. Wang Zhongshan, our founder, chairman of our Board and executive Director who has valuable experience and knowledge of our products and industry, and who has made substantial contributions to the development of our operations, the design and craftsmanship of our products, and raw material procurement. For example, precise crafting machinery's procurement and calibration require technical expertise that is difficult to find, develop and replicate. Our success also depends on the efforts and abilities of our design team, production team, procurement team and sales team, which undertake the design and development of our products, the procurement of raw materials and the sales of our products respectively. If we lose their services, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit new senior management team members, which could severely disrupt our business and growth. In addition, if these personnel join our competitors or form a competing business, our business and prospects could be adversely affected. Furthermore, if the relationship between any of these personnel and any of our substantial shareholders deteriorates, our operations could be disrupted.

As it is competitive to seek for qualified personnel in the gold jewellery industry, we may not be able to attract and retain a sufficient number of qualified employees in the future, particularly in light of our plans to expand our business. If we lose the services of one or more of our key personnel, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, and our financial condition and results of operations could be materially and adversely affected. We do not maintain key person insurance for any of our key personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, customers and key professionals and staff.

The nature of gold jewellery products business exposes us to inventory security and transportation risks

Due to the high value of our products and raw materials, our industry is susceptible to theft and robbery by external parties, and at times internal employees. There is no guarantee that any measures which are implemented will be adequate or effective despite that we have implemented various security measures to safeguard the safety of our inventory and valuable goods at our production facilities, our retail stores and exhibition halls. Any occurrences of theft or robbery by external parties and/or internal employees can have a material and adverse effect on our reputation and our brand and could result in financial losses.

The transportation of raw materials or products from suppliers or to customers, retail stores and exhibition halls also expose us to risks. For details of our various procedures to manage and track our products and raw materials and insurance policy, see "Business — Inventory Control" and "Business — Insurance" in this document. However, any security breach or failure in transport logistics could result in a loss in inventory and have a material and adverse impact on our business, financial conditions and results of operations.

Any negative publicity regarding the KOLs and celebrities whom we engage to market our products or our brand could materially and adversely affect our sales and reputation

During the Track Record Period, we had collaborated with KOLs and celebrities and launched various marketing campaigns on social media as part of our marketing initiatives to market our products and our brand. While KOLs and celebrities endorsements help strengthen our brand influence and promote our products, we cannot assure you that we will maintain our collaborations with our KOLs and celebrities. The KOLs and celebrities that we endorse may cease to cooperate with us.

Even if they continue to cooperate with us, we cannot assure you that the KOLs and celebrities endorsements will remain compatible with the messages that our brands and products aim to convey. Moreover, we cannot give assurance that any of these KOLs and celebrities will remain popular or their public perceptions will remain positive. Any negative publicity related to any of such KOLs and celebrities, including but not limited to, inappropriate speech, unethical behavior, non-compliance with the relevant laws and regulations or banning from conducting marketing activities, the occurrence of which is beyond our control, may adversely impact our reputation and brand image and consequently our ability to attract new customers and retain existing customers. Although we have internal control measures in place to prevent the KOLs and celebrities that we collaborate with from conducting wrongdoings which may cause negative impacts on our reputation or brand image, we cannot assure you that such measures would be effective at all times. Although we will take proactive measures to mitigate impact once similar incidents occur, we cannot assure you that our business, financial condition and results of operations will not be affected. In the event that we need to replace KOLs and celebrities, we may not be able to find suitable candidates in a timely manner, which may disrupt our marketing efforts or we may need to incur additional costs as we may require more time to procure new KOLs and celebrities to support our marketing activities. We may also initiate claims, disputes or legal proceedings against KOLs and celebrities for compensation, which may divert our management's attention and incur additional litigation expenses and costs. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

In addition, customers/consumers may provide feedback and public commentary about our products and other aspects of our business online through social media platforms, such as Wechat, Weibo, Tiktok and Xiaohongshu, and any negative information concerning us, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, financial conditions and results of operations.

Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations

Different types of insurance policies are maintained to cover our operations, including insurance on our exhibition halls and insurance for inventory losses, for details of our insurance policy, see "Business — Insurance" in this document. Our insurance policies may not cover certain circumstances such as the types of loss, damage and liability in which case we could incur losses that could have a material and adverse effect on our business, financial conditions and results of operations. There can also be no assurance that we will be able to renew our existing insurance levels of coverage on commercially acceptable terms, or at all.

The gold jewellery industry requires a constant supply of skilled labor and other staff at competitive prices and labor shortage could disrupt our business, financial conditions and results of operations, as well as our expansion plans

There is limited supply of skilled labor for the gold jewellery industry, and the acquisition for skilled labor can be competitive. We rely on our employees to adhere to our operation and business strategies in the daily execution of their duties to keep our business afloat and employees with industry experience and technical skills are our key assets. We are proud of our ability to produce substantially all of our products, and we rely heavily on our skilled labor to deliver our quality gold jewellery products to our customers in a timely manner.

Our production plant is located in Changle County, Weifang City, Shandong Province, the PRC, which is an area agglomerated with gold jewellery manufacturers. In light of the demand of skilled labor in the vicinity, we cannot assure you that we will not face difficulties in competing with other manufacturers for skilled labor. We did not experience any shortage of skilled labor during the Track Record Period but we cannot assure you that we will not experience any shortage of skilled labor in the future. In addition, we plan to recruit more skilled labor and other staff for our expansion plans including but not limited to the upgrade of our production facility and establishment of our research and development center, please see "Future Plans and [REDACTED] — [REDACTED]" for further details. We may be unable to hire or retain appropriate technically skilled employees, or may have to pay higher levels of remuneration than we currently intend for our existing and future operations.

In addition, our operation workflow consists of sophisticated procedures in the refinery and processing of gold at our self-owned manufacturing base, such that substantial training cost will be incurred for less experienced labor for gold jewellery crafting techniques such as cast-crafting (澆鑄), hydraulic crafting (油壓), threading (抽絲) and weaving (機織) for gold jewellery and K-gold jewellery products. If we cannot retain sufficient skilled labor or fail to find replacement for relevant positions with comparable experiences at similar wages, costs incurred for our operation may increase as a result of increase of our salary payment, training cost for newly joined employees and shortage in labor may also affect our product quality, which will have an adverse impact on our business, financial conditions and results of operations.

Our processing and production plants are concentrated

Substantially all of our gold jewellery products are processed and produced in our production facilities located in Changle County, Weifang City, Shandong Province, the PRC. The concentration of our production facilities and our raw material warehouses means that our business, financial conditions and results of operations are dependent on the degree to which we are able to continue to import raw materials into, manufacture products in, and transport products from, this locality. Certain localized circumstances affecting the region such as power or water shortage, labor strikes, riots, fire or any other events that may be beyond our control may cause prolonged interruptions to or have a negative effect on the operations of our production facilities. We cannot assure you that, if any of the aforesaid events occurs, we will be able to find alternative ways to produce and fulfil our customers' orders. Any disruption of operation of our production facilities could materially and adversely affect our business, financial conditions and results of operations.

We are subject to risks relating to Third-party Settlement Arrangement such as claims from third parties for return of funds and money laundering risks

During the years ended December 31, 2021, 2022 and 2023, 573, 669 and 554 customers entered into designation letters and settled transactions with us through the accounts of third parties designated by them (the "**Third-party Settlement Arrangement**"). For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of payments from third-party payors to us represented approximately 5.7%, 7.7% and 7.7% of the total revenue, respectively. All the Third-party Settlement Arrangement were settled with franchisees' (i) shareholders or ultimate beneficiaries, (ii) family members, and (iii) employees who have provided a designation letter to us on a case-by-case basis subject to prior written approval from our Group.

We were subject to various risks relating to such Third-party Settlement Arrangement during the Track Record Period, such as possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors; and potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from customers, third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance of laws and regulations, we will have to allocate financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold, which may have an adverse effect on our business, financial conditions and results of operation.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial conditions and results of operations

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. In the PRC, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in the PRC, Anti-Money Laundering Law of the People's Republic of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, our reputation could be harmed and our customers could cancel or not renew contracts for our services, all of which could have a material adverse effect on our business, financial conditions and results of operations.

We may not succeed in implementing our business strategies and future expansion plan

Our business strategies and future expansion plans as proposed in this document may not be successful as there are a number of factors which are beyond our control. For example, the costs of our future expansion plan may be higher than expected due to increased raw materials and construction costs, or we may not be able to enhance our research and development capabilities and expand product type number till the extent we expected. Furthermore, upgrading of our production facility involves substantial amount of capital investment and may put pressure on our financial and operational resources. If we are unable to manage our business strategies or expansion plan or the rising costs associated with such expansion plan effectively, our business, financial conditions and results of operation may be adversely affected.

If we fail to protect our proprietary data and customer information, our reputation and business could be negatively affected

We believe that our ability to compile and analyze sales data and customer data is critical to our success as a gold jewellery retailer. We collect customer data, such as our franchisees' and consumers' mobile number, address and other personal data, and have built our own customer data base. In accordance to the Personal Data Protection Law of the PRC(《個人資訊保護法》), we may only collect the aforementioned personal data with the prior consent of customers unless otherwise provided by the relevant laws and administrative regulations. The Personal Data Protection Law also mandates us to protect customer privacy and prohibits unauthorized disclosure of the aforementioned personal data. We may be responsible for any losses caused by unauthorized processing or disclosure of customer personal data. Any mishandling of the collection, storage, use or disclosure of personal information or other privacy-related matters by us could damage our reputation and results of operations. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in a decrease in our online traffic or the number of our online consumers, either of which could have a material adverse effect on our business, financial conditions and results of operations. The Personal Data Protection Law also mandates us not to collect personal data excessively and to process personal data with a clear and reasonable purpose and in a manner which is legitimate, necessary and directly related to the purpose. We may be liable to the excessive collection of personal data due to our limited level of understanding.

In addition, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third-party online payment service providers through which some of our consumers may elect to make online purchases. Furthermore, our third-party logistics service providers or courier companies may also disclose or use information about our consumers illegally. Although we do not believe that we will be held responsible for any such illegal activities, any negative publicity on our IT system's or online sales channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation. As such, we have established a data protection working group, appointed a data protection officer and cyber security officer. We have also formulated a personal data protection management policy in order to protect from material data leakage, but we cannot assure you that events beyond our control will not occur in the future, which could negatively affect our reputation.

Furthermore, the PRC laws and regulations governing the use of personal data are constantly moving forward. As such, we may need to devote management's attention and substantial costs to continuously upgrade our data privacy and cybersecurity measures, in order to comply with the changing principles and requirements of applicable laws and regulations. Any change in the regulations governing the use of such personal data could adversely affect our ability to use such data or discourage our consumers from using our online sales channels, either of which could have a material adverse effect on our business, financial conditions and results of operations.

For transactions which we adopt electronic payment services, in particular for our E-commerce platform sales, changes in the oversight on the centralized deposit and supervision of customer reserve funds by the PBOC may adversely affect our interest income and customer experience

Since January 2019, the PBOC has mandated all payment service providers in the PRC to deposit customer reserve funds to a central deposit and management reserve account with the PBOC or a depositary account with a designated depositary bank. Customer reserve funds may or may not be interest-bearing, and applicable interest rate may fluctuate from time to time. In addition, the deposit and withdrawal of centralized deposits of customer reserve funds will incur processing time, which may prolong the process for us to access the funds and affect our settlement efficiency, and negatively affect our ability to process a significant surge in payment volume during peak times, such as holiday seasons. This could adversely affect our processing costs and the customer purchasing experience.

Some of our leased properties have title defects, have no property ownership certificate or the lessor of which is unable to produce property ownership certificate, or yet to complete registration and filing procedures. We may be required to cease occupation and use of such leased properties if there is a valid claim for them

As of the Latest Practicable Date, some of our leased properties used for business operation did not have any property ownership certificate, or the lessors of which were unable to provide us with property ownership certificates. See "Business — Properties — Leased Properties" for further details.

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

In addition, as of the Latest Practicable Date, some of our leased properties used for business operation were yet to complete registration and filing procedures. As advised by our PRC Legal Advisor, the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties.

We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

We did not fully pay certain social insurance and housing provident fund for our employees in the PRC during the Track Record Period

In accordance with the relevant PRC labor laws and regulations, we are required to contribute to employee social welfare schemes for our employees. Such schemes include housing provident fund contributions, pension insurance, medical insurance, unemployment insurance, maternity insurance, and job-related injury insurance. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue.

During the Track Record Period, we did not fully pay certain social insurance and housing provident fund for its staff in the PRC and such non-payment is a non-compliance with the related PRC laws. For details of the non-compliance, see "Business — Compliance and Legal Proceedings — Non-compliance". We cannot assure you that there are no, or will not be any, employee complaints regarding payment of the social welfare insurances against us, or that we will not receive any claims or complaints from any labor dispute arbitration committee or court in China relating to disputes about payment of these insurances in the future. We cannot assure you that we will not be required to pay such insurances or any related damages in the future.

Changes in international trade or investment policies and barriers to trade or investment, the ongoing trade conflict and the emergence of a trade war may have a material effect on our business and expansion plans

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect our business, financial conditions and results of operation. For instance, there have been political matters that resulted in increased tensions between countries, such that different countries have to formulate measures in response to new trade policies, treaties and tariffs. Such measures may further escalate the tension between the countries or even lead to a trade war, which eventually have adverse impact to the global economy as a whole. In addition, the escalation of political, business, economic and trade relations between countries may trigger negative public sentiment towards particular countries. Although our business activities are substantially in the PRC, the above could have a material impact on our future expansion plans to other countries, and eventually affect our business, financial conditions and results of operation.

Changes in global economic, political or social conditions or government policies could have a material and adverse effect on our business, financial conditions and results of operations

Due to the current economic, political, social and regulatory developments, it may be difficult for us to predict all the risks and uncertainties we may face, and a slow-down of global or PRC's economy may reduce our customers' demand for our products and services, which could have a material adverse effect on our business and operating results. In addition, any significant changes in local government's policies or relevant legislations could have a material impact on overall economic growth, which could in turn have a material and adverse effect on our business, financial conditions and results of operations.

Our potential engagement in acquisitions or strategic partnerships increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the potential additional indebtedness or contingent or unforeseen liabilities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and product candidates and regulatory approvals; and/or

- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

Any litigation, legal and contractual disputes, claims, or administrative proceedings against us could be costly and time-consuming to defend or settle

We may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Existing or future legal proceeding might result in substantial costs both from defending such claims and from being liable for any losses in the event any claims against us are successful and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions.

We, our Directors, senior management, employees, franchisees and provincial-dealers may be involved in claims, disputes, court orders or other legal proceedings and our reputation may be harmed as a result

From time to time, we, our current or past Directors, senior management and employees may be involved in claims, disputes, government investigations, court orders and legal proceedings. These may concern issues relating to, among others, shareholders litigations, insolvency or bankruptcy litigations, consumer liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. So far as our Directors were aware, none of us, our current Directors, senior management and employees are involved in any claims, disputes, court orders or other legal proceedings that may have any material adverse impact on the business operations, financial positions or reputation of us. Any claims, disputes or legal proceedings initiated by or brought against us, our current or past Directors, senior management and employees, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation and generate negative publicity. In addition, we may not be able to detect or prevent claims of fraud or other misconduct committed by our provincial-dealers or franchisees. We may also be exposed to such claims, disputes or other legal proceedings, which could subject us to financial losses and adversely affect our reputation.

Further, our sales and distribution network primarily comprise franchisees, including provincial-dealers that we engage, who are authorised to use our brand in their course of business. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had 1,721, 1,704, 1,687 and 1,670 franchisees, respectively. There may be various litigation and regulatory risks related to our franchisees and the franchise stores they operate, including but not limited to consumer complaints, personal injuries, litigation initiated by employees due to contractual dispute, non-compliance with the applicable laws and regulations and so on. These claims, disputes and other legal proceedings may become associated with us and our brand and hence adversely affect our brand image and reputation.

The development of the legal system and changes in the interpretation and enforcement of laws, regulations and policies could materially affect us

We conduct our business primarily through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. Over the past few decades, the PRC legislation has provided greater protection to various forms of foreign or private-sector investment in the PRC. However, the PRC's legal system continues to evolve in response to changing economic and other conditions, many laws and regulations are new and continue to change. In particular, the interpretation and enforcement of newly promulgated laws and regulations may be subject to case by case analysis. In addition, as other civil law countries, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides.

In addition, similar to a number of other countries and regions, new laws and regulations may be enacted from time to time in response to changing economic and other conditions. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing the gold jewellery manufacturing and retail company with respect to a wide range of issues, such as franchise license, environmental protection, intellectual property, competition and antitrust, privacy and data protection, and other matters, which may result in additional obligations imposed on it. The interpretation and implementation of relevant PRC laws and regulations may have an impact on our business and operations.

Fluctuations in exchange rates could result in foreign currency exchange losses

Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may be affected by, among other things, changes in the global political and economic conditions, as well as international economic and political developments. Due to the economic situation and financial market developments in the PRC and abroad, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance Renminbi exchange rate flexibility.

A significant majority of our revenue, operating costs and expenses are, and are expected to be denominated in Renminbi. Since the trend in gold price in Renminbi is generally consistent with the trend in international gold price, which is denominated in the U.S. dollar, our earnings may be materially affected by a change in the Renminbi/U.S. dollar exchange rate. In addition, being a PRC-based company to list in Hong Kong, any significant change in the exchange rates of the Hong Kong dollar against the Renminbi may materially and adversely affect any dividends payable on our [REDACTED] in Hong Kong dollars.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

RISKS RELATING TO OUR FINANCIAL POSITION

We require substantial capital for our operations. If we cannot satisfy such requirement with cash from operations or raise sufficient additional capital on acceptable terms, our business, financial conditions and results of operations may be adversely affected

In order to further expand our business, develop new gold jewellery products and remain competitive, we may require additional capital to be expended in our operations. In particular, the purchase of gold material is capital intensive and necessary for our organic business expansion. Shanghai Gold Exchange only accepts purchase of gold with cash in their specified accounts. We expect to satisfy such capital commitments using cash generated from operations and various channels and instruments available to us. Financing may not be readily available in amounts or on terms acceptable to us. Our ability to use cash from operations and to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities and economic, political and other conditions in the PRC. The future incurrence of indebtedness may result in debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to meet our capital requirements may materially and adversely affect our business, financial conditions and results of operations.

We expect to incur additional capital expenditure and depreciation expenses associated with the expansion of our production facilities

We plan to enhance our gold jewellery digitalized manufacturing center (黃金珠寶首飾智能製造中心) at our production facility in the Economic and Technological Development Zone at Changle County, Weifang City, Shandong Province, the PRC for the production of gold jewellery, K-gold products and spring clasps. We would incur additional capital expenditure in the future, which could negatively affect our financial condition and results of operations. In addition, there is no guarantee that we could achieve production efficiency and other expected benefits for establishing and utilizing our in-house production capacities in the near term, or at all.

We recorded negative operating cash flow at times during the Track Record Period. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected

We recorded negative operating cash flow of RMB5.9 million for the year ended December 31, 2021. Such result was mainly due to an increase in inventories of RMB310.6 million, which was primarily attributable to our business expansion and was in line with our increase in sales in 2021. In addition, we recorded net cash used in operating activities of RMB13.7 million for the six months ended June 30, 2024. Such result was largely attributable to decrease in trade and bills payables of RMB196.8 million, which in large part was in relation to our settling bills we applied to procure raw materials. For further details of negative operating cash flow, please refer to the section headed "Financial Information — Cash Flows — Net cash (used in)/from operating activities".

We cannot assure you that we will not record negative operating cash flow again in the future. If we resort to external financing facilities to generate additional cash, we will incur additional financing costs. If operating cash flow remains negative in the future and if we cannot obtain adequate fund from other resources on satisfactory terms or at all to fund our operation, our business, financial conditions and results of operations may be materially and adversely affected.

Failure to maintain optimal inventory levels and ensure the security of our inventory could have a material adverse effect on our business, financial conditions and results of operations

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the balance of our inventory was RMB2,049.0 million, RMB1,688.9 million, RMB2,169.6 million and RMB2,016.5 million, respectively. During the respective year/period, our inventory turnover days were 42.7 days, 45.6 days, 36.8 days and 40.8 days, respectively. See the sections headed "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" for more information. We are exposed to inventory risks because of a variety of factors which are beyond our control, including fluctuation of gold price, delay or disruption in the supply by our suppliers, decreases in the number of orders placed by our customers, delayed return of gold products lent to our customers, changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and always maintain adequate levels of inventory. Any unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost, which in turn may adversely affect our financial condition and results of operations. On the other hand, insufficient inventory level may cause us delay production and delivery, and lose sales to our competitors. In addition, the costs of our raw materials such as gold and diamonds are high and any under-stocking or over-stocking of our inventory will have adverse impacts to our liquidity. During the Track Record Period, we did not record any inventory write-offs.

We are also subject to certain risks related to product warehousing, in particular due to the fact that at a given time, we may store substantial amounts of high-value inventories, such as gold bars, at our warehouse pending delivery to or pick up by our customers. Accidents such as theft, fire, explosion, smoke, water damage, weather damages and other natural disasters may cause damage to the products we store in our warehouse and adversely affect our ability to supply products on time. The occurrence of any of these accidents could also require us to make significant unanticipated expenses and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in product delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of our consumers. If any one or more of the above risks were to materialize, our business, financial conditions and results of operations may be adversely affected.

The discontinuation of any government grants and other favorable policies currently available to us could adversely affect our financial condition, results of operations and prospects

We have historically received government grants in the form of subsidies for certain of our product development projects. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recognized government grants as other income of RMB15.4 million, RMB12.6 million, RMB15.2 million and RMB2.8 million, respectively. For further details of our government grants, see "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Income". Moreover, our growth has also been supported by favorable government policies, including preferential tax treatment. The timing, amount and criteria of government grants and other favorable policies are determined by the local government authorities. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate such grants or policies. Our eligibility for government grants and other favorable policies is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the research and development progress made by other peer companies. In addition, some of the government grants and policies are on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. In addition, the policies under which we historically received government grants may be halted by the relevant government entities in accordance with newly promulgated favorable government policies. We cannot assure you of the continued availability of the government grants and other favorable policies currently enjoyed by us. Any reduction or elimination of such government grants and other policies would materially adversely affect our business, financial conditions and results of operations.

Our operations are subject to PRC tax laws and regulations

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future security activities

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas listing by The PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by The PRC-based oversea-listed companies.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to list securities in overseas markets, are required to apply for the filing procedure with the CSRC within three working days after submitting the listing documents to the overseas supervisory authorities and report relevant information. On October 9, 2023, we submitted initial filing documents to the CSRC, and the CSRC published the notification on our completion of the required filing procedures on January 19, 2024 for this offering.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. In addition, we may be subject to adjustments by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [REDACTED], and these regulatory authorities may impose fines and penalties on us, affect our operating activities in the PRC, affect our ability to pay dividends, delay or affect the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to affect our financing activities, which could have a material adverse effect on our business, financial conditions and results of operations.

No public market currently exists for our [REDACTED]. An active trading market for our [REDACTED] may not develop and the market price and trading volume of our [REDACTED] maybe volatile

No public market currently exists for our [REDACTED]. The initial [REDACTED] for our [REDACTED] to the public will be the result of negotiations between us and the [REDACTED], and the [REDACTED] may differ significantly from the market price of the [REDACTED] following the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our [REDACTED] will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the [REDACTED] will not decline following the [REDACTED].

The price and trading volume of our [REDACTED] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business, results of operations and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our [REDACTED].

Our Controlling Shareholders have substantial influence over us and its interests may not be aligned with the interests of our other Shareholders

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately after completion of the [REDACTED], assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK$[REDACTED], being the mid-point of the indicative [REDACTED], our Controlling Shareholders will hold (including direct and indirect shareholdings) approximately [REDACTED]% of the issued share capital in us, respectively. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive other Shareholders of an opportunity to receive a premium for their [REDACTED] as part of a sale of us and might reduce the price of our [REDACTED]. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will not exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Future sales or perceived sales or conversion of significant amounts of our [REDACTED] in the public market following the [REDACTED] could materially and adversely affect the price of our [REDACTED]

Prior to the [REDACTED], there has not been a public market for our [REDACTED]. Future sales or perceived sales of significant amounts of our [REDACTED] or conversion of the [REDACTED] Shares, if any, by specific Shareholders subject to certain regulatory requirements, after the [REDACTED] could result in a significant decrease in the prevailing market price of our [REDACTED]. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our [REDACTED] in the public market or the perception that these sales, or conversion of existing [REDACTED] Shares, if any, may occur could significantly decrease the prevailing market price of our [REDACTED] and our ability to raise equity capital in the future.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or equity securities in the future

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per [REDACTED] immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares through the employee incentive platforms, which would further dilute Shareholders' interests in us.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use a significant portion of the [REDACTED] from the [REDACTED] for the following purposes:

- enhancing our production capabilities by upgrading our production facilities in Weifang, Shandong with a view to achieve further business growth;
- the expansion and enhancement of our franchise network;
- investing in information technology;
- establishing our research and development center; and
- working capital and other general corporate purposes.

However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the [REDACTED] from the [REDACTED].

You should assess the legal protections you are entitled to under legal system in the PRC

The legal system in the PRC is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. The laws and regulations in the PRC is subject to further revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. Therefore, you should assess the legal protections you are entitled to under legal system in the PRC.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in the PRC. In addition, a majority of our Directors, Supervisors or members of our senior management reside in the PRC, and a substantial portion of the assets of such Directors, Supervisors or members of our senior management are located in the PRC. As a result, it may be difficult or impossible to effect service of process outside the PRC upon us or such Directors, Supervisors or members of our senior management. Furthermore, a judgement of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if there are reciprocal relationships between the PRC and such jurisdiction. As a result, recognition and enforcement in the PRC of a court judgment obtained in other jurisdictions relating to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement. On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of recognized or enforced judgment, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong.

Although we will be subject to the Listing Rules and the Takeovers Code upon the [REDACTED] of our [REDACTED] on the Stock Exchange, the holders of [REDACTED] will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and Takeovers Code do not have the force of law in Hong Kong.

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

The dividend declared by our Group to the shareholders was nil, RMB78.7 million, nil and RMB91.6 million during 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Under the PRC laws, dividends may be paid only out of distributable profits and distribution of dividends shall be at the discretion of our Board and subject to Shareholders' approval. Any declaration and payment as well as the amount of such dividends may depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors may consider relevant. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under HKFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. On the other hand, it would also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Holders of our [REDACTED] may be subject to PRC income tax obligations

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realised upon the sale or other disposition of [REDACTED].

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the State Administration of Taxation effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of [REDACTED] are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities are still evolving, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our [REDACTED] and on gains realized on the sale or other disposition of our [REDACTED]. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your [REDACTED] in our [REDACTED] may be materially affected.

Our foreign exchange transactions, such as dividend payment to holders of our [REDACTED] are subject to foreign currency conversion policies

We receive a majority of our revenues in Renminbi, a portion of which must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our [REDACTED].

Currently, Renminbi may only be converted into other foreign currencies in accordance with the relevant laws and regulations, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under the PRC's existing foreign exchange regulations, by complying with certain procedural requirements, following completion of the [REDACTED], we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. However, the existing PRC foreign exchange regulations may change in the future and adjust the regulations for our access to foreign currencies for capital account and current account transactions, resulting in our inability to meet new regulatory requirements. In this case, we may not be able to pay dividends in foreign currencies to holders of our [REDACTED].

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's economic conditions and the fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi due to fluctuating exchange rates may affect the value of, and any dividends payable on, our [REDACTED] in foreign currency terms. All of these factors could materially affect our financial condition and results of operations.

Certain facts, forecast and other statistics in this document obtained from official government publications have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this document are derived from various government and official resources. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us or any of our affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [REDACTED] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED]

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

For the purpose of the [REDACTED], we have sought the following waivers from the Stock Exchange in relation to certain requirements from the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange in its discretion.

Given that we are headquartered in the PRC with our principal business operation principally located, managed and conducted in the PRC and all of our executive Directors are not ordinarily resident in Hong Kong, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong in order to comply with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules on the following conditions:

- our Company has appointed two authorized representatives (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Wang Zegang, an executive Director and one of our joint company secretaries and Ms. Yu Wing Sze, one of our joint company secretaries, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Yu Wing Sze is an ordinarily resident in Hong Kong. Each of the Authorized Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and email. Each of the Authorized Representatives is authorized by our Board to communicate on behalf of our Company with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Ms. Yu Wing Sze has been authorized to accept service of legal process and notice in Hong Kong on behalf of our Company;

- each of the Authorized Representatives has means to contact all members of our Board (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and our Directors, our Company will implement a number of policies whereby (i) each Director shall provide his/her mobile phone numbers and email addresses to the Authorized Representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the Authorized Representatives; and (iii) all our Directors and

Authorized Representatives will provide their respective mobile phone numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the Authorized Representatives and our Directors;

- Rainbow Capital (HK) Limited has been appointed as our Company's compliance advisor, pursuant to Rule 3A.19 of the Listing Rules, to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two Authorized Representatives, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules and publishes its annual report in respect of its first full financial year commencing after the [REDACTED]. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange;

- each of our Directors (including independent non-executive Directors) who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice; and

- our Company will also appoint other professional advisors (including its legal advisors in Hong Kong) after the [REDACTED] to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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

(i) length of employment with the issuer and other issuers and the roles he/she played;

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

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

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Wang Zegang as one of the joint company secretaries as Mr. Wang has extensive experience in board and corporate management matters and has been assisting the chairman of our Board in handling these matters for years. However, Mr. Wang Zegang presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, thus may not be able to fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Yu Wing Sze, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. See "Directors, Supervisors and Senior Management — Joint Company Secretaries" in this document for details of Mr. Wang Zegang's and Ms. Yu Wing Sze's experience. Ms. Yu will provide assistance to Mr. Wang for an initial period of three years from the [REDACTED] to enable Mr. Wang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. Specifically, Ms. Yu will (i) communicate regularly with Mr. Wang on matters relating to corporate governance, the Listing Rules and other laws and regulations which are relevant to our Company and its business; (ii) arrange for trainings by the legal advisers of our Company, if needed, to Mr. Wang on updates of the Listing Rules and other applicable Hong Kong regulatory requirements; and (iii) assist Mr. Wang to meet the disclosure requirements under the Listing Rules, make filing(s) with the Companies Registry and other matters which are incidental to the duties of a company secretary of a [REDACTED] company.

Both the compliance advisor and the Hong Kong legal advisors of our Company will assist Mr. Wang in relation to Hong Kong corporate governance practices and regulatory compliance, ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Wang will endeavor to comply with the requirement under Rule 3.29 of the Listing Rules by attending annually not less than 15 hours of relevant professional trainings and familiarize himself with the Listing Rules and duties required of a company secretary of a PRC issuer [REDACTED] on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that we engage Ms. Yu, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Wang in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules. Such waiver can be revoked immediately if there are material breaches of the Listing Rules by our Company pursuant to chapter 3.10 of the Guide For New Listing Applicants.

Before the expiration of the initial three-year period, the qualifications of Mr. Wang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. It is expected that Mr. Wang will be able to fulfill all the requirements stipulated at the end of the initial three-year period.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Directors

Name	Address	Nationality
Executive Directors		
Mr. Wang Zhongshan (王忠善先生)	Room 301, Unit 3, Building 7 No. 424 Heng An Street Changle County, Shandong Province PRC	Chinese
Ms. Zhang Xiuqin (張秀芹女士)	Room 301, Unit 3, Building 7 No. 424 Heng An Street Changle County, Shandong Province PRC	Chinese
Ms. Jiang Liying (姜麗英女士)	Room 202, Unit 2 No. 34 Jinkou Second Road, Shinan District Qingdao City, Shandong Province PRC	Chinese
Mr. Wang Zegang (王澤鋼先生)	No. 8, Huatian Road Huayuan Industrial Zone, Binhai New District Tianjin City PRC	Chinese
Independent Non-executive Directors		
Mr. Wang Gongyong (王貢勇先生)	Building 3, Hengda Dijing, Wenhua East Road Jinan City, Shandong Province PRC	Chinese
Mr. Sha Nali (沙拿利先生)	802, Unit 3, Building 2, No. 16, Neibei Small Street, Dongzhimen, Dongcheng District Beijing PRC	Chinese
Mr. Huang Fangliang (黃方亮先生)	2-1-903, District 1, Sunshine Shuncheng Shizhong District Jinan City, Shandong Province PRC	Chinese
Mr. Bai Xianyue (白顯月先生)	Room 550, 5/F, 8 Degrees Harbour Plaza 199 Kowloon City Road To Kwa Wan, Kowloon Hong Kong	Chinese

Supervisors

Name	Address	Nationality
Mr. Zhang Xin (張鑫先生)	20th Floor, East District, Changsheng Phase II Changle County, Shandong Province PRC	Chinese
Mr. Li Hu (李虎先生)	No. 5417, Fushou West Street, Weicheng District Weifang City, Shandong Province PRC	Chinese
Mr. Wang Yanpeng (王艷鵬先生)	Xintiandi West District, Gushan Street Changle County, Weifang City, Shandong Province PRC	Chinese

See the section headed "Directors, Supervisors and Senior Management" in this document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
[REDACTED]	[REDACTED]
Legal Advisors to our Company	*As to Hong Kong law* **Jia Yuan Law Office** 7/F and 17/F No. 238 Des Voeux Road Central Sheung Wan Hong Kong *As to PRC law* **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street, Xicheng District Beijing, PRC

Legal Advisors to the Sole Sponsor and [REDACTED]	*As to Hong Kong law* **Linklaters** 11/F, Alexandra House Chater Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing 100025 Beijing, PRC
Independent Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 Shanghai, PRC
Compliance Advisor	**Rainbow Capital (HK) Limited** Room 5B, 12/F, Tung Ning Building No. 2 Hillier Street, Sheung Wan Hong Kong
[REDACTED]	**[REDACTED]**

Property Valuer	**Cushman & Wakefield** 27/F One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong

CORPORATE INFORMATION

Registered Office	No. 15 Ziyuan Road Huayuan Industrial Zone Binhai Hi-Tech District Tianjin, PRC
Principal Places of Business in the PRC	No. 15 Ziyuan Road Huayuan Industrial Zone Binhai Hi-Tech District Tianjin, PRC Mokingran Town 1998 North Three Mile Road Economic and Technological Development Zone Changle County, Weifang City Shandong Province, PRC
Principal Place of Business in Hong Kong	31/F., Tower Two, Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**http://www.mokingran.com** *(This website and the information contained in the website does not form part of this document.)*
Joint Company Secretaries	Mr. Wang Zegang No. 8, Huatian Road, Huayuan Industrial Zone Binhai New District Tianjin City PRC Ms. Yu Wing Sze 31/F., Tower Two, Times Square, 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Wang Zegang No. 8, Huatian Road Huayuan Industrial Zone, Binhai New District Tianjin City PRC Ms. Yu Wing Sze 31/F., Tower Two, Times Square, 1 Matheson Street Causeway Bay Hong Kong

Strategy Committee	Mr. Wang Zhongshan *(Chairman)* Ms. Zhang Xiuqin Mr. Sha Nali Mr. Wang Zegang Ms. Jiang Liying
Audit Committee	Mr. Wang Gongyong *(Chairman)* Mr. Huang Fangliang Mr. Bai Xianyue
Remuneration and Appraisal Committee	Mr. Huang Fangliang *(Chairman)* Mr. Wang Gongyong Ms. Jiang Liying
Nomination Committee	Mr. Sha Nali *(Chairman)* Mr. Wang Zegang Mr. Huang Fangliang
[REDACTED]	[REDACTED]
Principal Banks	Industrial and Commercial Bank of China Limited, Changle Branch 376 Limin Street, Changle County Weifang City, Shandong Province PRC Agricultural Bank of China Limited, Weifang Branch 1777 Hongyang Street, Changle County Weifang City, Shandong Province PRC

The information and statistics set out in this section and other sections of this document were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the [REDACTED]. In addition, certain information is based on, or derived or extracted from, among other sources, publications of different government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics from official government sources have not been independently verified by our Company, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], and the [REDACTED], or any of their respective directors, advisers and affiliates, or any other person or parties involved in the [REDACTED], and no representation is given as to their accuracy.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on the gold jewellery market in the PRC. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S.. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB350,000. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the [REDACTED]. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the gold jewellery market for potential [REDACTED]. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the gold jewellery market.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the gold jewellery market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) the gold jewellery market is expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

OVERVIEW OF JEWELLERY MARKET

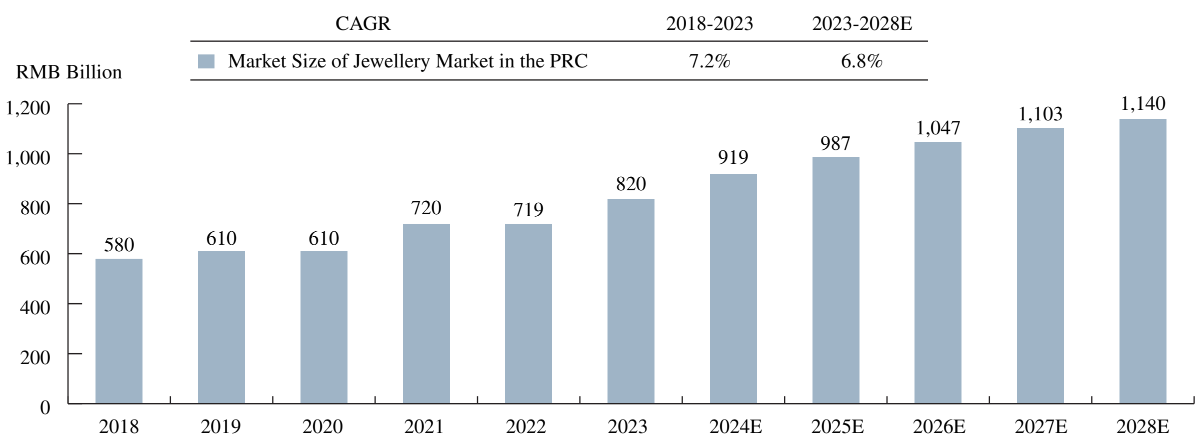
Definition and Classification

Jewellery is a precious metal material, natural jade, and artificial jade jewellery processed for decoration and has a certain value as an artifact or other collections. Jewellery may be appreciated for its material properties, patterns, or meaningful symbols. Jewellery can be mainly classified into gold jewellery, jade jewellery, diamond jewellery, silver & platinum jewellery, coloured gemstone jewellery, pearl jewellery and others by material.

Gold jewellery is jewellery mainly made of gold, including various gold purity level jewellery. Jade jewellery is jewellery mainly made of jade stones. Diamond jewellery is jewellery (usually made from platinum and K-gold) studded with diamonds. Sliver & platinum jewellery is jewellery made of sliver or platinum. Others include jewellery studded with gemstones, and jewellery made out of or studded with pearls.

Market Size of Jewellery Market in the PRC

Market Size of Jewellery Market in the PRC, by Sales Revenue, 2018–2028E

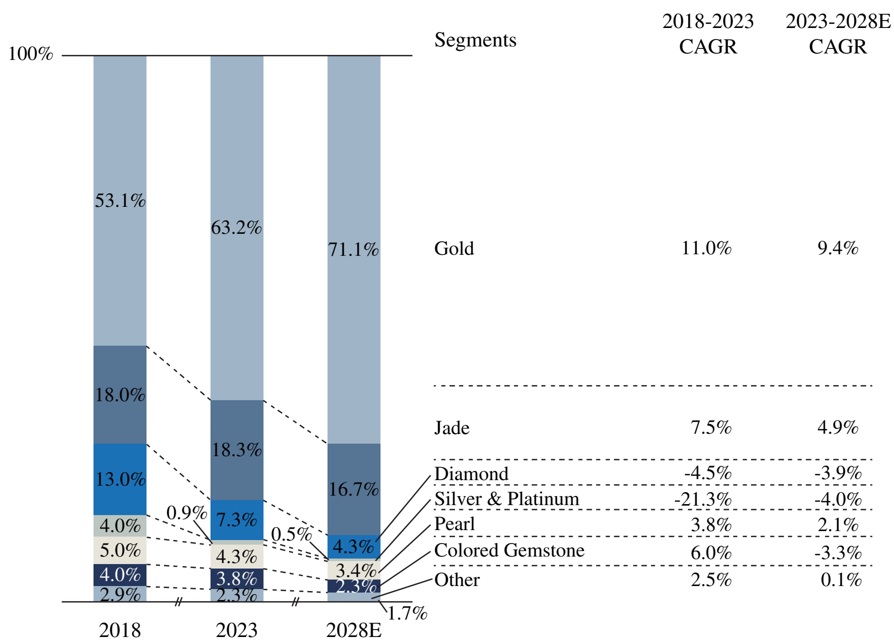


Source: Gems & Jewellery Trade Association of China, Frost & Sullivan

In line with the improvement of the consumption power and the diversification of jewellery products, jewellery has gradually become a fashion accessory for people's daily wear. The jewellery market in the PRC witnessed steady growth from 2018 to 2023. However, affected by the COVID-19 pandemic, a large number of offline jewellery retail stores suspended their business, and jewellery sales have stalled. As a result, the jewellery market size in 2022 witnessed a decline. Overall, the sales revenue of the PRC jewellery market increased from RMB580 billion in 2018 to RMB820 billion in 2023, representing a CAGR of 7.2%. Looking forward, due to the growing purchasing power of PRC citizens, the jewellery market in the PRC is estimated to grow at a CAGR of 6.8% from 2023 to 2028, reaching a total sales revenue of RMB1,140 billion by the end of 2028.

Market Size of Jewellery Market in the PRC, Breakdown by Material

Market Size of Jewellery Market in the PRC, Breakdown by Material, 2018–2028E



Source: Gems & Jewellery Trade Association of China, Frost & Sullivan

Gold jewellery has historically been a Chinese favourite due to its long cultural significance dating back several thousand years. The sales revenue of the gold jewellery market in 2023 was RMB518 billion, accounting for 63.2% of the whole jewellery market, and is forecasted to reach RMB811 billion in 2028, growing at a CAGR of 9.4%.

The jade jewellery market has taken up about 18.3% of the jewellery market, with a market size of RMB150 billion in 2023. It is expected to reach RMB190.5 billion in 2028, with a CAGR of 4.9%.

The diamond jewellery market is the third-largest segment, which took up about 7.3% of the overall sales revenue in 2023. However, under the huge shock of lab-grown diamonds and the global economy's slowdown, the diamond jewellery market size in the PRC is forecasted to decrease to RMB49.2 billion in 2028, with a CAGR of (3.9)%.

The market size of silver & platinum jewellery in the PRC has decreased from RMB23.2 billion to RMB7 billion from 2018 to 2023. It is forecasted that the market size will continue to fall to RMB49.2 billion in 2028, with a CAGR of (3.9)% as the popularity of silver and platinum continues to decline.

Others, such as pearls and coloured gemstones, only account for a small share of the jewellery market.

Market Drivers of Jewellery Market in the PRC

Expansion of jewellery consumption in third-tier and lower tier cities: With the continuous growth of GDP and per capita disposable income in the PRC, consumer purchasing power in third-tier and lower tier cities has also increased accordingly. In recent years, per capita consumption of gold jewellery in these cities has risen significantly, from RMB489.7 in 2018 to RMB663.2 in 2023, representing a CAGR of 6.3%, indicates a growing preference and willingness among consumers to purchase jewellery, highlighting the market's potential and promising outlook. It is projected that by 2028, per capita consumption of gold jewellery in third-tier and lower tier cities will further increase to RMB927.8, with a CAGR of 6.9%, primarily driven by the expansion of franchised gold jewellery stores in lower-tier cities and ongoing upgrades in consumer spending.

Diversified demands and consumption scenarios: Jewellery has increasingly become a fashion-centric accessory for daily wear, as consumers pursue unique and personalized styles. The evolving aesthetic preferences of consumers, particularly young consumers, have driven a heightened demand for well-designed and distinctive jewellery. To fulfill diverse needs, jewellery companies have intensified their efforts to launch new techniques, such as heritage gold craftsmanship and contemporary designs, including collaborations with popular IPs that resonate with younger audiences. Additionally, the occasions for jewellery consumption have become increasingly diverse. Beyond traditional events like weddings and engagements, self-appreciation has emerged as an important purchasing driver among customers.

Growth potential of jewellery consumption driven by increasing purchasing power: Compared with the per capita consumption of jewellery in the U.S. and the Middle East, the per capita consumption in China still falls behind. China's per capita disposable income is still lower than that of the U.S. and the Middle East, which indicates great growth potential. With the robust growth of China's economy, the market size of jewellery in China is expected to continue to increase, accompanied by the growth of per capita jewellery consumption.

Future Trends of Jewellery Market in the PRC

Fierce competition with dominance of leading brands: The jewellery market is highly competitive, and jewellery companies are extending their industry chains to improve cash flow and profit margins. Leading jewellery enterprises hold financial, brand, scale, and cost advantages over smaller competitors, enabling them to operate more efficiently, offer competitive prices, and invest heavily in branding, marketing, and product design. As a result, small jewellery production and processing enterprises are likely to be gradually eliminated, leading to increased market concentration and dominance by leading companies, who can better align with evolving consumer preferences.

Digitalization of Sales Channels

Digital technologies and the expansion of diverse sales channels are driving a radical transformation in how consumers shop for jewellery, reshaping purchasing habits across the industry. Online sales have become a key growth area, with the e-commerce share of gold jewelry revenue climbing from 5.7% in 2018 to 7.2% by 2023. In response, jewellery companies are increasingly expanding their digital presence through e-commerce platforms, social media, and personalized shopping experiences to attract a broader audience, particularly younger consumers. This digital shift offers consumers greater convenience while enabling brands to engage more directly with their target customers, positioning the jewellery industry to better adapt to evolving market demands.

Growing popularity of "China Chic" for traditional brands: For a long time, foreign jewellery brands reigned unchallenged in China. Consumers often saw them as a symbol of fashion. In recent years, China has seen a surge in young consumers' interest in domestic brands and products that incorporate Chinese traditional crafts and culture. The "China Chic" phenomenon has been warmly embraced by the younger generation in China. With Chinese rising cultural confidence, traditional Chinese brands will win the jewellery market with the resurgence of traditional crafts and cultural elements, especially in the gold jewellery market.

Diversified and innovative jewellery products for younger generation: As Chinese consumers increasingly pursue personalized jewellery, jewellery products with novel models and unique cultural connotations will be more popular among consumers. In the future, Chinese jewellery products will become more innovative, fashionable, and exquisite regarding technological design, model, and cultural connotation. Moreover, jewellery brands will continue to innovate and create product differentiation to win the favor of the whole market.

OVERVIEW OF GOLD JEWELLERY MARKET

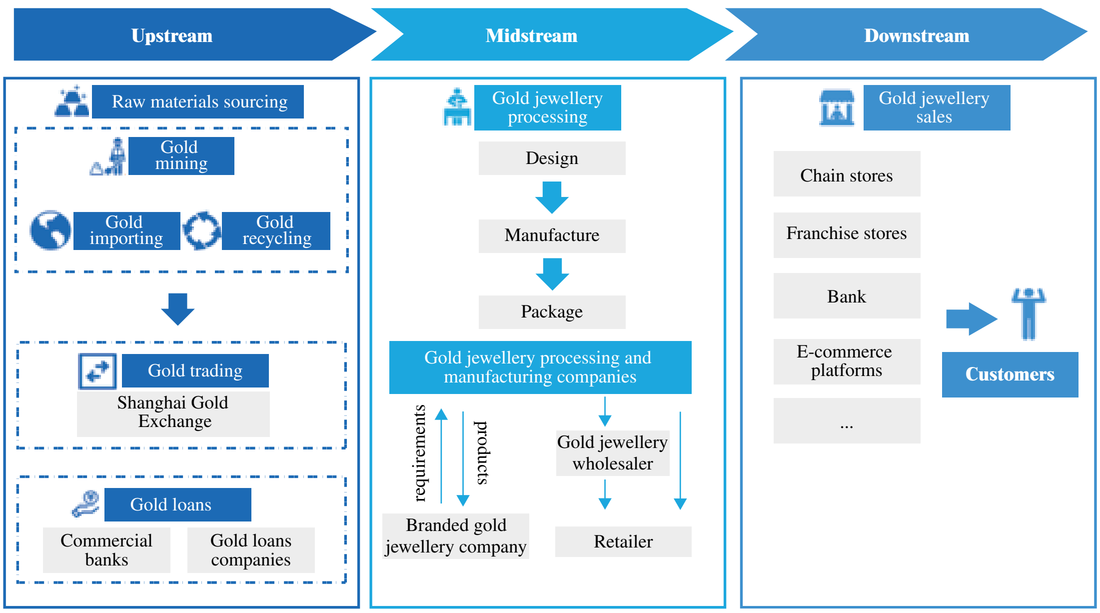
Definition and Classification

Gold jewellery is made of gold as the main raw material, which can be categorized by gold purity and technique.

The gold jewellery is classified into Au990, Au999, Au9999, and K-gold jewellery based on the gold content. Au990 and Au999, with purity level of no less than 990‰ and 999‰ respectively, are the most commonly used gold for gold jewellery. Au9999 has the highest gold fineness, with a gold purity of no less than 999.9‰. Thus, it has a high investment value. However, the processing technique for manufacturing gold jewellery from Au9999 is considerably strict. K gold is an alloy formed by fusion of gold and other metals. The purity is no less than 375‰ and no more than 916‰.

Regarding the techniques, gold jewellery can be categorized into regular, heritage, 3D/5D, and 5G gold jewellery. Heritage gold jewelry refers to pure gold jewelry that combines modern designs with classic Chinese culture, which applies at least two traditional Chinese handmade gold crafting techniques. 3D gold refers to gold produced using electroforming techniques, which are characterized by high hardness. 5D gold refers to gold of high content, high hardness (not less than 100HV), high gloss, strong wear resistance, and strong deformation resistance. 5G gold refers to gold with a surface hardness of not less than 60HV (under a loading force of 200gf for 15 seconds).

Value Chain Analysis



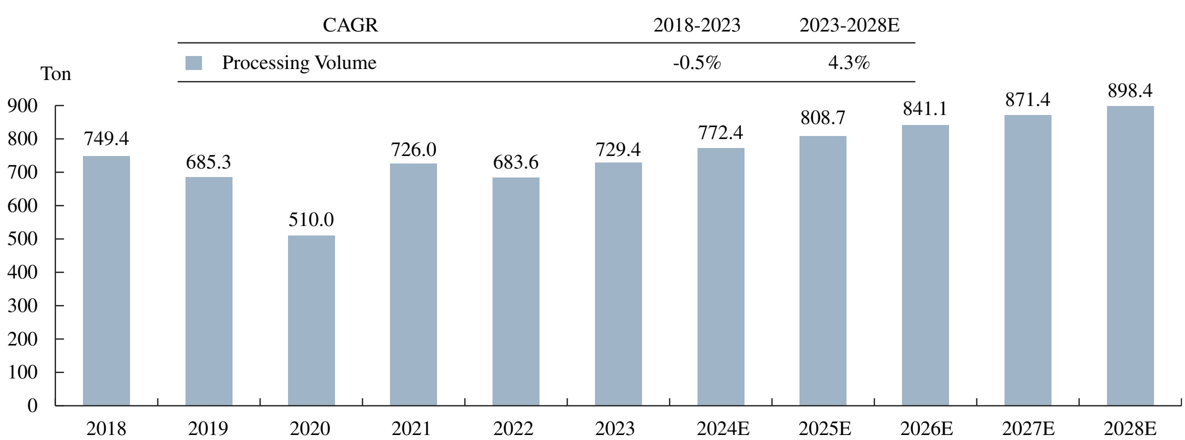
Source: Frost & Sullivan

The upstream of the gold jewellery industry involves gold mining, gold importing, gold recycling, gold trading and gold loans. The midstream companies in the gold jewellery industry are gold jewellery processing and manufacturing companies, which also serves as OEMs for some branded gold jewellery companies, and as suppliers for gold jewellery wholesalers and retailers. The downstream of gold jewellery industry is the sales of gold jewellery, the distribution channel includes self-operated stores, franchise stores, banks, e-commerce platform and others.

It is common for gold jewellery companies to adopt a franchise network in the industry. The reasons for using a franchise, which is a type of license that grants franchisees access to a franchisor's propriety business knowledge, processes, and trademarks to sell products or services under the franchisor's business name, are that it can help the company to spread risks, adapt to local market conditions, improve brand awareness, and ensure the consistency of operations across various stores while rapidly expanding. The concentration rate of franchisees in the gold jewellery market is low, with over tens of thousands of players in the industry. Most of the gold jewellery franchisees are small and medium-sized companies or individually-owned businesses, concentrated in provinces such as Guangdong, Shandong, Jiangsu, Fujian, and Zhejiang.

Market Size of Gold Jewellery Market in the PRC (by Processing Volume)

Processing Volume of Gold Jewellery in the PRC, 2018–2028E



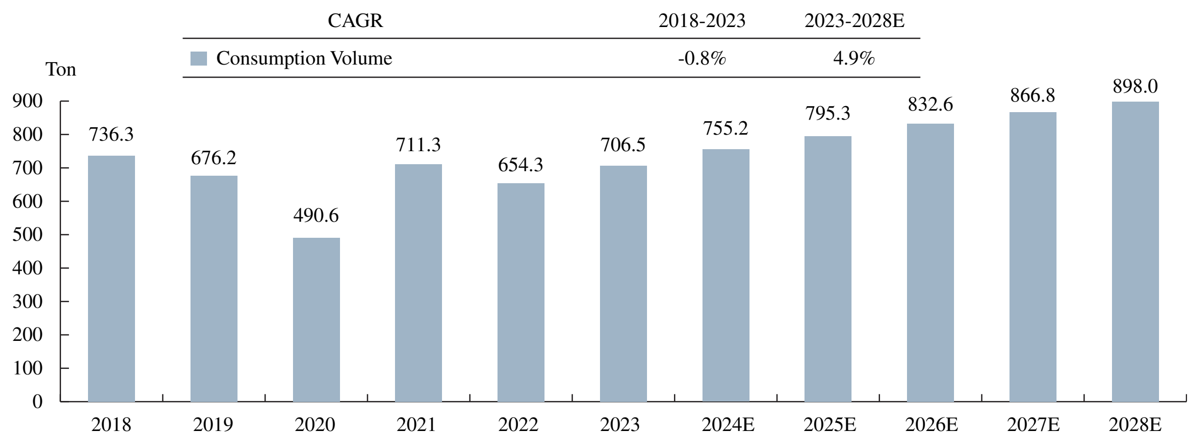
Source: China Gold Association, Frost & Sullivan

The processing volume of gold jewellery in the PRC fluctuated in the past few years. Influenced by the economic downturn and the rising gold price, the processing volume of gold jewellery decreased from 749.4 tons in 2018 to 685.3 tons in 2019. In 2020, the outbreak of the pandemic caused the processing volume to slump to 510.0 tons. The processing volume rebounded in 2021 since effective control measures taken by the government which led to the fast resume of the offline manufacturing process. The processing volume dipped again with the resurgence of the pandemic in 2022. Looking forward, as the government has eased the COVID-19 curbs since the end of 2022, the market size of the gold jewellery industry in terms of processing volume is expected to grow at a CAGR of 4.3% and reach 898.4 tons in 2028.

Market Size of Gold Jewellery Market in the PRC (by Consumption Volume)

The consumption volume of gold jewelry in the PRC exhibited a fluctuating pattern, decreasing from 736.3 tons in 2018 to 706.5 tons in 2023, with a CAGR of (0.8)% over this period. This decline was primarily driven by the widespread impact of the pandemic in 2020 and 2022. Economic downturn pressures also contributed to the overall weakness in consumption, resulting in a drop in 2019. However, with consumers' growing preference for gold jewelry, the consumption volume is projected to grow steadily, reaching 898.0 tons by 2028, with a CAGR of 4.9% from 2023 to 2028.

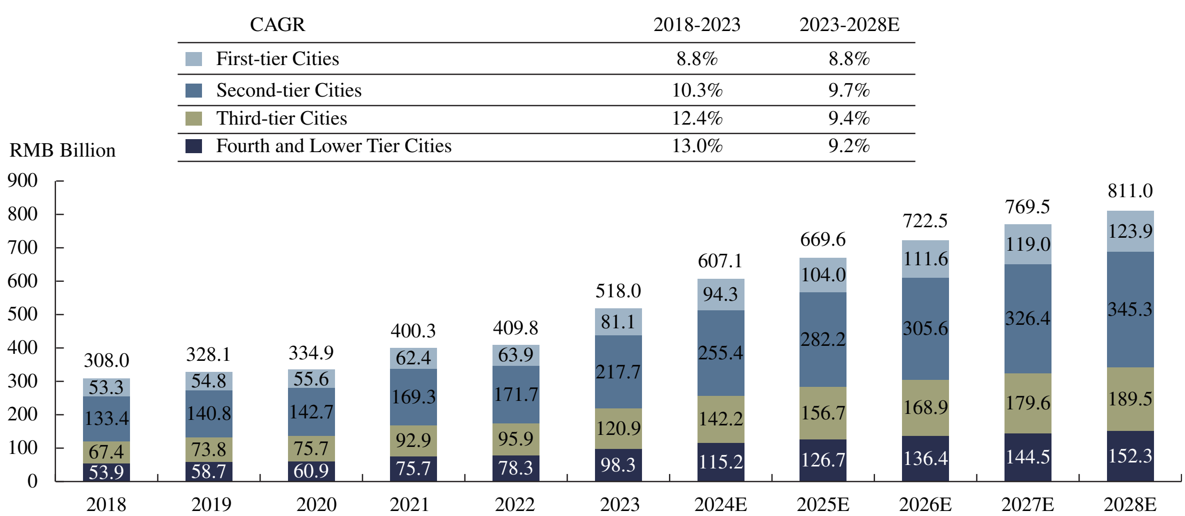
Consumption Volume of Gold Jewelry in the PRC, 2018–2028E



Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

Market Size of Gold Jewellery Market and Breakdown by Tiers of City

Market Size of Gold Jewellery Market in the PRC, Breakdown by Tiers of City, in Sales Revenue, 2018–2028E



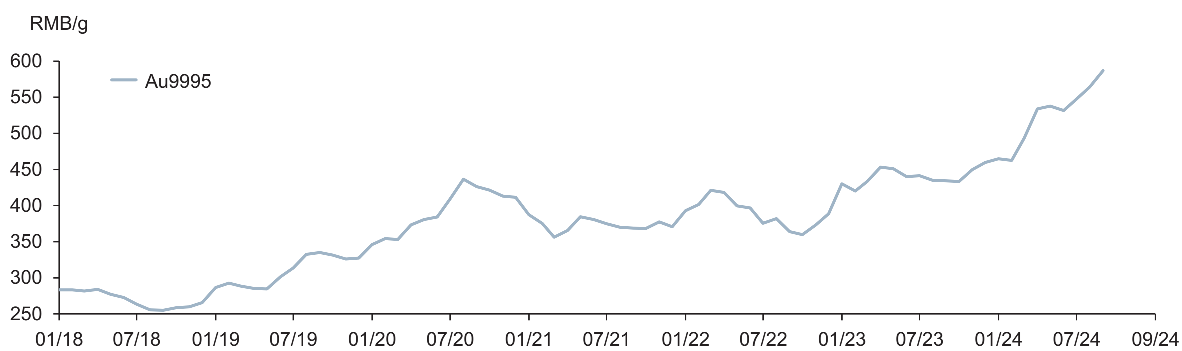
Note: The first-tier cities refer to Shanghai, Beijing, Guangzhou, and Shenzhen. The second-tier cities refer to Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi'an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo, Hefei, Foshan, Shenyang, Wuxi, Jinan, Xiamen, Fuzhou, Wenzhou, Harbin, Shijiazhuang, Dalian, Nanning, Quanzhou, Jinhua, Guiyang, Changzhou, Changchun, Nanchang, Nantong, Jiaxing, Xuzhou, Huizhou, Taiyuan, Taizhou, Shaoxing, Baoding, Zhongshan, Weifang, Linyi, Zhuhai, Yantai. The third-tier cities refer to Lanzhou, Haikou, Huzhou, Yangzhou, Luoyang, Shantou, Yancheng, Ganzhou, Tangshan, Urumqi, Jining, Zhenjiang, Langfang, Xianyang, Taizhou, Wuhu, Handan, Jieyang, Nanyang, Hohhot, Fuyang, Jiangmen, Yinchuan, Zunyi, Huai'an, Zhangzhou, Guilin, Zibo, Xinxiang, Lianyungang, Cangzhou, Mianyang, Hengyang, Shangqiu, Heze, Xinyang, Xiangyang, Chuzhou, Shangrao, Jiujiang, Yichang, Putian, Zhanjiang, Liuzhou, Anqing, Suqian, Zhaoqin, Zhoukou, Xingtai, Jingzhou, Sanya, Yueyang, Bengbu, Zhumadian, Tai'an, Chaozhou, Zhuzhou, Weihai, Liu'an, Changde, Anyang, Suzhou, Huanggang, Dezhou, Ningde, Liaocheng, Yichun, Weinan, Qingyuan, Nanchong. The fourth and lower tier refer to the rest of the other cities.

Source: Frost & Sullivan

The market size of gold jewellery in first-tier cities in terms of sales revenue increased from RMB53.3 billion in 2018 to RMB81.1 billion in 2023, achieving a CAGR of 8.8%. The sales revenue of gold jewellery in second-tier cities accounts for the largest proportion, growing at a CAGR of 10.3% from RMB133.4 billion in 2018 to RMB217.7 billion in 2023. Looking forward, the continuous enhancement of per capita consumption level will further drive the growth of the gold jewellery market size in first-tier and second-tier cities, growing at CAGRs of 8.8% and 9.7% and reaching RMB123.9 billion and RMB345.3 billion in 2028 respectively. Similarly, since the consumption power in third and fourth-tier cities rises, the leading gold jewellery companies have been expanding the sales network in the sinking market. Accordingly, the market size of gold jewellery in third-tier and fourth and lower tier cities have increased rapidly, achieving a CAGR of 12.4% and 13.0% from 2018 to 2023 respectively. The gold jewellery market in third-tier cities is expected to grow at a CAGR of 9.4% and reach RMB189.5 billion in 2028. The market size of gold jewellery in fourth and lower tier cities is projected to reach RMB152.3 billion in 2028, representing a CAGR of 9.2% from 2023 to 2028.

Price Trends of Gold in the PRC

International Price Trends of Gold (Au9995), 2018.01–2024.09



Source: London Bullion Market Association

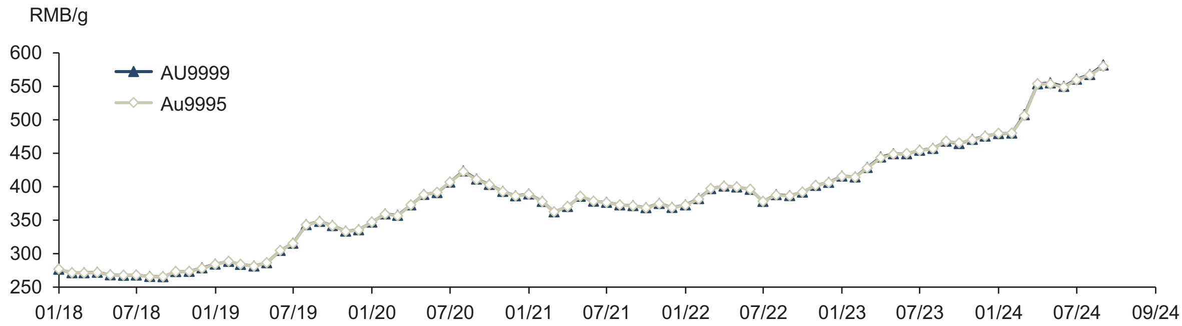
International Average Annual Spot Price of Gold (Au9995), 2018–2024

RMB/g	2018	2019	2020	2021	2022	2023	2024
AU9995	269.9	308.9	392.4	373.1	389.3	439.6	524.7

Note: The 2024 price is the average for the period from January to September.

Source: London Bullion Market Association

Price Trends of Gold (Au9995 and Au9999) in the PRC, 2018.01–2024.09



Source: Shanghai Gold Exchange

Average Annual Spot Price of Gold (Au9995 and Au9999) in the PRC, 2018–2024

RMB/g	2018	2019	2020	2021	2022	2023	2024
AU9995	270.9	312.4	387.1	374.3	392.0	449.8	536.5
AU9999	271.1	312.7	387.4	374.5	392.2	449.9	537.3

Note: The 2024 price is the average for the period from January to September.

Source: Shanghai Gold Exchange

The gold price in the PRC is positively correlated with the international gold price, and most of the gold prices at international markets are USD-dominated. From 2018 to 2023 the gold price in the PRC is generally higher than the international gold price since the domestic market is in supply shortage and imports a large amount of gold, which adds the cost of physical delivery, warehousing, local taxation, conversion of local currency to USD, etc., to the spot price. The average annual spot price for Au9995 in the international market experienced a fluctuating but generally upward trend, increasing from RMB269.9/g in 2018 to RMB439.6/g in 2023. Due to various factors including increasing inflationary pressures and geopolitical uncertainties, the average annual spot price for Au9995 in the international market rapidly reached RMB586.8/g in September 2024.

The average annual spot price for Au9995 in the PRC experienced a general upward trend which increased from RMB270.9/g in 2018 to RMB449.8/g in 2023 due to several factors, including the volatility in the global political and economic environment, the strong demand for gold, particularly with the jewellery industry. Especially in 2020, due to the outbreak of Covid-19, the international economic environment is faced with a lot of uncertainty. Furthermore, the geopolitical conflict and the rising inflation have pushed up demand for gold to hedge risks and the spot price hit a record high of RMB449.8/g in 2023. The trend of the average annual spot price for Au9999 is in line with Au9995 but is slightly higher, growing from RMB271.1/g in 2018 to RMB449.9/g in 2023. Due to the increasing of gold price in international market, the average annual spot price for Au9995 and Au9999 in the PRC reached RMB579.7/g and RMB581.8/g in September 2024, respectively. For gold jewellery companies, the rise in gold price indicates that the inventory value of a gold jewellery company rises accordingly. In addition, the continuous rise in the gold price will motivate consumers' investment enthusiasm, promoting the demand for gold jewellery products. Driven by customers' "buy on the upside" philosophy for gold, the demand for gold jewellery is likely to increase with the rising gold price. Hence, gold jewellery manufacturing companies will receive more orders from either retailers or individual traders.

Market Drivers of Gold Jewellery Market in the PRC

Rising younger consumer group: Gold jewellery is trending among millennials and Gen Z (those born between 1981 and 2012) in the PRC. The proportion of younger consumers, who possess a stronger willingness to purchase and a greater demand for well-designed jewellery, is increasing substantially within the gold jewellery market, thereby propelling its growth and evolution. Besides, factors affecting purchasing decisions have changed among younger generations. An increasing number of younger consumers buy gold jewellery for self-satisfaction and daily wearing, rather than just for specific consumption scenarios such as children gifting, family gifting, holiday-related occasions, and wedding purchases.

Upgrade of the consumption in third and lower tier cities: China's economic boom over the past few decades has significantly increased annual disposable income per capita, which has steadily risen from RMB28.2 thousand to RMB39.2 thousand over the last five years, reflecting a CAGR of 6.8%, according to the National Bureau of Statistics. As income grows, consumer spending has also increased, with the consumption structure of Chinese consumers continuously optimized and upgraded, leading to a steady rise in total spending on luxury items. Notably, the per capita consumption of gold jewellery in third-tier and lower tier cities has experienced rapid growth, with a CAGR of 6.3% from 2018 to 2023, reaching RMB663.2 in 2023. This growth indicates a heightened preference and readiness among consumers to buy jewellery, signaling significant potential for market expansion.

Cultural significance of gold jewellery products: The cultural significance of gold jewellery is pivotal, as gold has long been regarded as a symbol of good luck and a valuable heirloom, deeply embedded in the nation's cultural heritage. Its esteemed status is particularly evident during significant life events, such as weddings, festivals, and celebrations, where it is cherished as a valuable gift that can be passed down through generations. Beyond its traditional role, gold jewellery also serves as a means of daily self-expression and personal adornment, enhancing individual style and confidence. This dual function underscores gold's enduring popularity and cultural relevance in China, driving demand and solidifying its importance in both personal and family histories.

Increasing demand for gold product investment: Gold jewellery is not only a decorative accessory but also highly valued by consumers for its inherent worth, as gold is widely regarded as a reliable safe-haven asset that protects against the depreciation of monetary assets. Factors such as global inflation and geopolitical conflicts have heightened the demand for assets that resist devaluation and mitigate risks, resulting in an increase in the average annual spot price for Au9995 in the international market from RMB373.1 per gram in 2021 to RMB439.6 per gram in 2023, and further rising to RMB586.8 per gram by September 2024. Consequently, the gold jewellery markets with investment features have gained significant popularity, as consumers increasingly seek products that not only enhance their personal style but also serve as a hedge against economic uncertainty.

Growth in Gold Recycling: The usage of recycled gold jewellery grow steadily, benefiting from the economic advantages of utilizing recycled precious metals and supportive policies, which in turn drive the development of the gold jewellery market. Through gold trade-ins, jewellery companies may acquire raw materials at lower prices, while also providing an attractive option for consumers to purchase new jewellery. Additionally, the government of Luohu District in Shenzhen, along with the China Gold Association and other enterprises, established relevant standards, including the "Guidelines for Business Operations and Services of Gold Trade-In Enterprises" and the "Initiative for Compliance in Gold Trade-In Operations" in 2022 and 2023, which set requirements for the professionalism of service personnel and equipment, compliance in operations, and service processes to regulate gold recycling services, thereby promoting the standardization of gold jewelry recycling processes and enhancing the convenience of recycling channels.

Future Trends of Gold Jewellery Market in the PRC

More trendy designs and continuous technique enhancement: Gold jewellery is trending among Generation Z and millennial customers (born between 1981 and 2012), who will become the majority of gold consumers in the PRC. The consumption group of gold jewellery is becoming increasingly younger. Therefore, leading gold jewellery companies are adding more designs or collaborating with different IPs catering to younger generations' preferences. Besides, innovative designs are closely linked to gold processing techniques. In recent years, emerging gold processing techniques are gaining popularity in the gold jewellery market, for example, 3D gold, 5G gold, and heritage gold. Besides, the technology enhancement has also led to the lifting of gold jewellery purity level.

Rising trend of customization and personalization of gold jewellery: With people's pursuit of quality life, customization and personalization of gold jewellery is seeing increasing demand. On the one hand, customization is usually associated with a high-end brand image and uniqueness, which can be worn as a symbol of status and wealth. Additionally, customization allows customers to add personal designs, giving the gold jewellery a special meaning and story and helping them express their emotions. On the other hand, more younger customers, who like to express their individuality, are joining the gold jewellery consumer group. Hence, the demand for gold jewellery customization foresees vast development potential in the future.

Digitalization and shifting sales channels: According to the digital economy development plan for the 14th Five-Year Plan, the integration of the Internet and traditional industries will be further bolstered by the Chinese government. With the massive population base, China is currently the largest e-commerce market in the world. Besides, millennials and Gen Z are becoming a core source of the gold jewellery market growth. These individuals are heavy internet and social media users. Thus, digital transformation becomes the means of survival and revival for traditional gold jewellery companies. Particularly, mobile social media sales were expected to increase significantly, meaning that brands should focus on creating an optimal online presence with special customer attention through e.g. customization and community-building.

Diversifying consumption scenarios: Across all consumers in China, gold jewellery purchases are usually used to be as a gift or mark specific occasions that are laden with emotions such as weddings, anniversaries, newborns and Chinese New Year etc. Furthermore, Chinese customers are more rational and mature, with more diversified consumption needs and preferences. Especially for female consumers, who are the major driver of gold jewellery consumption, such consumer groups are becoming self-purchasing consumers who purchase gold jewellery to celebrate personal milestones. As a result, gold jewellery companies are required to develop more product lines that fit evolving and diversifying consumption scenarios.

Competitive Landscape of Gold Jewellery Brands in the PRC

The gold jewellery market in the PRC was considered concentrated for the year ended December 31, 2023 in terms of gold jewellery revenue. For the year ended December 31, 2023, the aggregate gold jewellery revenue generated from the top five gold jewellery brands was approximately RMB233.5 billion, contributing 45.0% to the entire market. The Group ranked fifth and took up a share of 3.8% for the year ended December 31, 2023.

Market Share of Top Five Gold Jewellery Brands in the PRC, by Gold Jewellery Revenue(1) (2023)

Ranking	Company	Listing Status	Market Share
1	Chow Tai Fook(2)	Public	12.7%
2	Lao Feng Xiang(3)	Public	10.9%
3	China Gold(4)	Public	10.7%
4	Yuyuan Group(5)	Public	6.9%
5	**The Group**	**Private**	**3.8%**
	Top 5		45.0%

Source: Annual Report, Frost & Sullivan

Notes:

(1) The gold jewellery revenue here only includes the revenue generated in mainland China.

(2) It is a leading jewellery brand in the PRC. It mainly engages in the sale of gem-set jewellery, platinum/karat gold products, gold products, and watches. Its estimated gold jewellery (excluding gold bullion) self-production rate in 2023 is approximately 45%.

(3) It is one of the China time-honored brands in the PRC. It mainly engages in the jewellery and gold business, stationary and art craft. Its estimated gold jewellery (excluding gold bullion) self-production rate in 2023 is approximately 50%.

(4) It is a PRC's leading gold jewellery company. It mainly engages in the sale of gold jewellery and processing of gold bullion. Its estimated gold jewellery (excluding gold bullion) self-production rate in 2023 is approximately 0%.

(5) It is a comprehensive group in the PRC. It mainly engages in jewellery and fashion, food and beverage, beauty and health, watches, department stores, etc. Its estimated gold jewellery (excluding gold bullion) self-production rate in 2023 is approximately 0.5%.

The gold jewellery market in the PRC was considered concentrated for the year ended December 31, 2023 in terms of gold processing volume. For the year ended December 31, 2023, the aggregate gold processing volume of the top five gold jewellery enterprises was approximately 279.5 tons, contributing 38.3% to the entire market. The Group ranked third and took up a share of 6.9% for the year ended December 31, 2023.

Market Share of Top Five Gold Jewellery Brands in the PRC, by Gold Processing Volume (2023)

Ranking	Company	Listing Status	Processing Volume	Market Share
			(Ton)	
1	Batar Group[(1)]	Private	81.3	11.1%
2	Hangmin Baitai Jewelry[(2)]	Private	59.2	8.1%
3	**The Group**	**Private**	**50.0**	**6.9%**
4	Swiky Jewelry[(3)]	Private	47.2	6.5%
5	Gold Dragon Jewelry[(4)]	Private	41.8	5.7%
	Top 5		279.5	38.3%

Source: China Gold Association

Notes:

(1) It is a well-known gold jewellery enterprise in the PRC. It mainly engages in the processing, wholesale, and retailing of gold jewellery.

(2) It is a well-known jewellery enterprise in the PRC. It mainly engages in the design, processing, and sales of gold jewellery.

(3) It is a well-known gold jewellery manufacturer and supplier in the PRC. It mainly engages in the design, processing, OEM, and wholesale of gold jewellery.

(4) It is a well-known gold jewellery enterprise in the PRC. It mainly engages in designing, processing, wholesale, and retailing gold jewellery.

The market size of high-purity level (999.9‰ and above) gold jewellery in terms of revenue is RMB63.0 billion in 2023. For the year ended December 31, 2023, the aggregate high-purity level (999.9‰ and above) gold jewellery revenue of the top five gold jewellery enterprises was approximately RMB43.4 billion, contributing 68.8% to the entire market. The Group ranked first and took up a share of 31.3% for the year ended December 31, 2023.

Market Share of Top Five High-purity Level Gold Jewellery Brands in the PRC, by High-purity Level (999.9‰ and above) Gold Jewellery Revenue (2023)

Ranking	Company	Listing Status	Market Share
1	**The Group**	**Private**	**31.3%**
2	Company H[(1)]	Private	12.0%
3	Company J[(2)]	Private	11.1%
4	Company K[(3)]	Private	8.3%
5	Company L[(4)]	Private	6.2%
	Top 5		68.8%

Source: Frost & Sullivan

Notes:

(1) It is a famous jewellery brand that features gold, diamonds, colored gems, platinum, and K gold jewellery as its main products.

(2) It is a well-known gold jewellery manufacturers and suppliers in the PRC. It mainly engages in the design, processing, wholesale and retail of gold, diamond, colourful gems and jade jewellery.

(3) It is a well-known gold jewellery enterprise in the PRC. It mainly engages in the design, manufacturing, and sales of gold jewellery.

(4) It is a well-known gold jewellery enterprise in the PRC. It mainly engages in processing, wholesale, retailing and recycling of gold jewellery products.

DIRECTORS' CONFIRMATION

Our Directors confirm that, after making reasonable inquiries, there is no material adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict, misrepresent or otherwise adversely affect the accuracy and completeness of the information in this section in material respects.

Our business operations are located in the PRC and are subject to extensive supervision and regulation by the PRC government. This section summarizes the principal laws, rules and regulations that may affect major aspects of our business.

REGULATIONS RELATED TO THE GOLD JEWELLERY INDUSTRY

Gold Production and Sales Qualification Requirements

According to the Decision of the State Council in Relation to the Cancellation of the Second Batch of Administrative Approval Items and Amendment to the Management Method of Certain Administrative Approval Items (《國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定》) in 2003, China officially cancelled the approval system of the People's Bank of China (PBOC) for the production, processing and circulation of gold, including: (1) the gold purchase permit; (2) the approval of gold products production, processing and wholesale business; (3) the approval of gold supply; (4) the approval of gold products retail business.

REGULATIONS ON THE CONTROLLING OF THE IMPORT AND EXPORT OF GOLD AND GOLD PRODUCTS

Foreign trade

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "Foreign Trade Law") promulgated by the Standing Committee of the National People's Congress (SCNPC) on May 12, 1994 and amended on December 30, 2022, foreign trade operators are not required to register since December 30, 2022. The PRC government permits the free import and export of commodities and technologies, unless otherwise provided by laws and administrative regulations. Prior to December 30, 2022, under the pre-amended Foreign Trade Law, foreign trade operators engaged in the import and export of commodities or technologies shall apply for registration with the foreign trade authorities under the State Council or its delegated authorities for the record, unless otherwise provided by laws and administrative regulations and requirements of the foreign trade authorities under the State Council. If a foreign trade operator fails to register for the record in accordance with the provisions, the Customs Department shall not carry out customs clearance of imported or exported commodities.

Import and export licensing system for gold and gold products

According to the relevant provisions of the Administrative Regulations on Gold and Silver of the PRC (《中華人民共和國金銀管理條例》) and the Measures for the Administration of the Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理辦法》), a permit system is in force for the import and export of gold and gold products (gold refers to unforged gold, and gold products refer to semi-manufactured gold and manufactured gold products, etc.). The PBOC may, in accordance with the needs of macroeconomic regulation and control of the State, grant restrictive approval on the quantity of gold and gold products to be imported and exported.

The PBOC, in cooperation with the General Administration of Customs, has formulated, adjusted and promulgated the Catalogue of Commodities for Management of Import and Export of Gold and Gold Products. When handling the import or export customs clearance for the gold and gold products listed in the Catalogue of Commodities for Management of Import and Export of Gold and Gold Products, the PBOC Import and Export Permit for Gold and Gold Products issued by the PBOC and its branches shall be submitted to the Customs.

Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective from the same date, the Customs of the People's Republic of China is the state's entry and exit customs supervision and administration authority. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggages, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry re-application of recordation can be made.

REGULATIONS RELATED TO PRODUCTION

Regulations on production safety

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards. During the Track Record Period and up to the Latest Practicable Date, the Company was not subject to penalties related to production safety.

Regulations on fire protection

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction

Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, special construction projects that have failed to undergo fire safety acceptance inspection or failed to pass fire safety acceptance inspection are prohibited from putting into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be ceased to use. During the Track Record Period and up to the Latest Practicable Date, the Company was not subject to penalties related to fire protection.

REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), was promulgated and effective on December 26, 1989, and most recently revised on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment. During the Track Record Period and up to the Latest Practicable Date, the Company was not subject to penalties related to environmental protection.

Laws on Environment Impact Assessment

Pursuant to the Environment Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the Environmental Impact Registration Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an Environmental Impact Registration Form shall be completed. Unless otherwise stipulated by laws and regulations, construction enterprises that are required to compile an EIR or EIS shall accept the environmental protection facilities upon completion of the construction project. When the environmental protection facilities of a construction project pass the inspection and acceptance, the construction project can be formally put into production or use.

REGULATIONS RELATED TO COMMERCIAL FRANCHISED OPERATION

Franchised operation is subject to the supervision and administration of the Ministry of Commerce and its local competent commercial departments. These activities are currently regulated by the Administrative Regulations on Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and implemented from May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchised Operation (《商業特許經營備案管理辦法》) issued by the Ministry of Commerce on April 30, 2007 and most recently amended on December 12, 2011 and effective from February 1, 2012 and the Administrative Measures for the Information Disclosure of Commercial Franchised Operation (《商業特許經營信息披露管理辦法》) issued by the Ministry of Commerce on April 30, 2007, and most recently amended on February 23, 2012 and effective from April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance and training services for franchisees, as well as owning at least two direct-sale stores in China with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by the Ministry of Commerce or the local competent department of commerce. The franchise contract shall specify certain necessary provisions concerning terms, the right to terminate and payment.

Franchisers shall submit the business license, draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with the Ministry of Commerce. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commercial franchised operation established by the Ministry of Commerce in accordance with the provisions of the Measures. In addition, franchisers shall file with the commercial department concerning the execution, cancellation, renewal and amendment of franchise agreements before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and an public announcement.

LAWS IN RELATION TO PRODUCT QUALITY AND CONSUMER PROTECTION

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of the purchased product, the seller shall compensate for such losses.

Under the Civil Code of the People's Republic of China (the "**Civil Code**", effective from January 1, 2021) adopted by the SCNPC on May 28, 2020, a manufacturer or a commercial seller is subject to liability for physical injury or property loss caused by the product defects. The aggrieved party may seek compensation from the manufacturer or the commercial seller. Where the aggrieved party seeks compensation from the commercial seller, the commercial seller have the right to make a claim against the liable manufacturer after it has made compensation.

The Protection of the Rights and Interests of Consumers Law of the PRC (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

REGULATIONS REGARDING THE SALE OF PRODUCTS

Laws related to anti-unfair competition

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC on September 2, 1993, and effective from December 1, 1993, with the latest amendment taking effect on April 23, 2019, has established several measures to combat unfair competition and protect market order. These measures include prohibiting acts such as unfair prize promotions and dumping to exclude market competitors. According to the Anti-Unfair Competition Law of the PRC, operators are not allowed to bribe any employees of the counterpart units, any units or personnel entrusted by the counterpart, or influence the units or personnel of the counterpart to gain commercial opportunities or competitive advantages through their power. In addition, operators can openly pay discounts to the trading counterpart or commissions to intermediaries in their trading activities. When giving discount to a transaction counterparty or paying commission to an intermediary, the operators shall record the discount or commission in its accounts truthfully. Operators who receive discount or commission shall also record the discount or commission in their accounts truthfully. Operators who violate the provisions of Article 7 of the law by bribing others can have their illegal gains confiscated by the regulatory authority, and they may be fined with an amount ranging from RMB100,000 to RMB3,000,000 depending on the severity of the circumstances. In severe cases, their business licenses may be revoked.

Laws related to advertising

The Advertisement Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC on October 27, 1994, and effective from February 1, 1995, with the latest amendment taking effect on April 29, 2021, stipulates that advertisements must not contain false content and must not deceive or mislead consumers. Recommendation or certification from advertising endorsers on the goods and services in advertisements, shall be based on facts and in compliance with relevant laws and administrative regulations, and such endorsers are not allowed to recommend or certify the goods or services that they have not used or received. If operators violate the provisions of this law by disseminating false advertisements, the market supervision and management authorities shall order them to cease the publication of the advertisements, require them to eliminate the impact within the corresponding scope, impose fines of three to five times the advertising expenses. If the advertising expenses cannot be calculated or are significantly understated, fines of no less than RMB200,000 and no more than RMB1,000,000 shall be imposed. For those who commit violations three or more times within two years or have other serious circumstances, fines of five to ten times the advertising expenses shall be imposed. If the advertising expenses cannot be calculated or are significantly understated, fines of no less than RMB1,000,000 and no more than RMB2,000,000 may be imposed. In such cases, business licenses may be revoked, and the advertising review authority may revoke the approval documents for advertising review and not accept their advertising review applications for one year. If the violation constitutes a crime, criminal liability may be pursued.

Legal aspects related to e-commerce

The E-commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated by the SCNPC on August 31, 2018, and effective from January 1, 2019, stipulates that e-commerce operators engaged in business activities should adhere to the principles of voluntariness, equality, fairness, and good faith. They must also comply with the law and business ethics, participate fairly in market competition, fulfill obligations related to consumer rights protection, environmental protection, intellectual property protection, network security and personal information protection, and assume responsibility for the quality of products and services. If e-commerce operators fail to fulfill contractual obligations or do not meet the agreed-upon terms or cause harm to others, when selling goods or providing services they shall bear civil liability under the law. E-commerce operators who engage in business activities without obtaining relevant administrative permits, sell or provide goods or services prohibited by laws or administrative regulations, or fail to fulfill their information provision obligations shall be subject to penalties by the market supervision and management authorities in accordance with relevant laws and administrative regulations.

Regulations related to anti-money laundering

According to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) promulgated by the SCNPC on October 31, 2006, anti-money laundering refers to adopting relevant measures in accordance with the provisions of the Anti-Money Laundering Law to prevent money laundering activities by various means to cover up and conceal the source and nature of gains and other profits from drug offences, organized crime, terrorist activities, smuggling, corruption and bribery, disruption of financial management order, financial fraud, etc. Anyone who violates the provisions of the Anti-Money Laundering Law and constitutes a crime shall be held criminally responsible in accordance with the law. According to the provisions of the Notice of the People's Bank of China on Strengthening Anti-Money Laundering and Anti-Terrorist Financing in Precious Metals Marketplaces (Yinfa [2017] No. 218), as for the trading venues of precious metals where business or services involve spot trading of precious metals, as well as those precious metal traders engaged in precious metals trading within their marketplaces shall actively fulfill their anti-money laundering and anti-terrorist financing obligations. Trading venues and traders shall take necessary monitoring measures to monitor the personnel whose name appears on lists of terrorist organizations and terrorist activities announced by the competent national authorities. No business relationship shall be established with any entity, organization or individual on the list, nor any form of services shall be provided to them. Funds or other assets related to terrorist organizations and personnel shall be immediately frozen in accordance with the law and shall be promptly reported to local public security agencies, national security agencies and branches of the People's Bank of China in accordance with regulations.

REGULATIONS ON CYBER INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

Privacy protection

On May 28, 2020, the SCNPC promulgated the Civil Code, which came into effect on January 1, 2021. According to the Civil Code, the personal information of natural persons is protected by law. Any organization or individual who needs to obtain personal information of another person shall obtain such information legally and ensure the security of such information, and shall not unlawfully collect, use, process, or transmit the personal information of another person or unlawfully purchase, sell, provide, or disclose to the public the personal information of another person.

On August 22, 2019, the CAC issued the Provisions on the Protection of Children's Personal Information on the Internet (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019, and which applies to the collection, storage, use, transfer and disclosure of minors' or children's personal information under the age of 14 through the Internet. Where personal information processors collect or use children's personal information, they should formulate special rules for handling personal information and obtain the consent of the children's parents or other guardians.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑 法修正案(九)》) issued by the SCNPC on August 29, 2015 and becoming effective on November 1, 2015, any network service provider that fails to fulfil the obligations related to Internet information security administration as required by applicable laws and refuses to rectify when is ordered by a supervisory authority to do so, will be subject to criminal liability for causing (i) any dissemination of information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information by other methods, will be subject to criminal liability in serious circumstances.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事 案件適用法律若干問題的解釋》) (the "Interpretations"), which became effective from June 1, 2017. The interpretations clarify several concepts regarding the "crime of infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information", "violation of relevant national provisions", "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the interpretations specify the standards for the conviction and sentencing in determining "serious circumstances" and "particularly serious circumstances" of this crime. On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on November 1, 2019, and further clarifies the meaning of Internet service operators and the meaning of aggravating circumstances of criminal offenses related to refusal to fulfill the obligation of information network security management, illegal use of information network, and assisting information network criminal activities. Failure to comply with the above laws and regulations on network security, information security, privacy and data protection may subject the internet service provider or data processor to administrative penalties, including but not limited to warnings, fines, suspension of business operations, closure of websites or applications, revocation of licences, or even criminal liability. The Company belongs to the Internet service operators referred to in the above provisions, but is not involved in the relevant criminal acts.

On August 20, 2021, the Law of the People's Republic of China on the Protection of Personal Information (the "Personal Information Protection Law") was promulgated by the SCNPC and came into effect on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual's consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation, rather than relying on the "notification and consent" as provided for in the Cyber Security Law. It also stipulates the obligations of a personal information processor. Personal information processors who violate the provisions and requirements of the Personal Information Protection Law may be subject to correction, warning, fines, suspension of related business, revocation of licenses, entry into credit files, or even criminal liability.

According to the Personal Information Protection Law, personal information processors shall take the necessary measures to ensure the safety of the personal information being processed. The Personal Information Protection Law stipulates the rights of data subjects, including the right to be informed, the right to refuse or restrict the processing, access, transfer, correction and deletion of their personal information; and the right of individuals to request that the personal information processors provide explanations of the rules governing the processing of their personal information.

The Personal Information Protection Law stipulates that Critical Information Infrastructure Operators and the personal information processors that process the personal information reaching the threshold specified by the CAC in terms of quantity shall store domestically the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information abroad, the security assessment organized by the CAC shall be passed; where it is truly necessary to provide personal information outside of the People's Republic of China, other personal information processors shall meet one of the following conditions: (i) passing the security assessment by the CAC; (ii) obtaining certification of data security by a professional body in accordance with the requirements of the CAC; (iii) entering into an agreement with the overseas recipient with provisions governing the rights and obligations of the parties based on a template contract to be released by the CAC; or (iv) other requirements as provided by laws and regulations.

Processors shall also conduct personal information protection impact assessment in advance when processing sensitive personal information, using personal information to conduct automated decision-making, entrusting personal information processing, providing personal information to other personal information processors, or disclosing personal information, providing personal information abroad, and conducting other personal information handling activities with a major influence on individuals.

Cyber information security

(1) ***The Law of the People's Republic of China on State Security***

Pursuant to the Law of the People's Republic of China on State Security (《中華人民共和國國家安全法》) promulgated by the SCNPC on July 1, 2015, the State shall establish a system and mechanism for national security examination and supervision, and carry out national security examination of key technology and networking information technology products as well as services relating to national security, so as to effectively prevent and eliminate national security risks.

(2) ***The Cyber Security Law of the PRC***

On November 17, 2016, the Cyber Security Law of the PRC (the "Cyber Security Law") was promulgated by the SCNPC and became effective on June 1, 2017, which requires that a network operator (including, among others, internet information services providers) take technical measures and other necessary measures to ensure the secure and stable operation of the network, effectively cope with cyber security events, prevent criminal activities committed on the network, and protect the integrity, confidentiality and availability of network data. The Cyber Security Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data are gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data are gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; and (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data are collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of critical information infrastructure (the "Critical Information Infrastructure Operators") generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

(3) ***Administrative Provisions on Account Names of Internet Users***

On February 4, 2015, the Cyberspace Administration of China (the "CAC") promulgated the Administrative Provisions on Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), which came into effect on March 1, 2015, stipulating that internet information service providers shall implement the responsibility of security management, improve the user service agreement, and expressly state that the account names, avatars, profiles and other registration information submitted by internet information service users shall not contain illegal or malicious information, and equip professional personnel appropriate to the scale of service to review the registration information such as account name, avatar and profile submitted by internet users and refuse to register the information containing illegal and malicious information; internet information service providers shall consciously accept social supervision, and promptly deal with the illegal or malicious information contained in public reported account name, avatar and profile and other registration information. Service providers shall also require users to register their accounts after authentication of their real identity information in accordance with the principle that mandatory real name registration at the back-office end, and voluntary real name display at the front-office end.

(4) ***Provisions on the Ecological Governance of Network Information Contents***

On March 1, 2020, the CAC promulgated the Provisions on the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》) (the "CAC Order No. 5"), which became effective on March 1, 2020, to further strengthen the regulation and management of online information content. Pursuant to these regulations, each network information content service platform is required, among other things, (i) not to disseminate any information that violates laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to formulate management rules and platform convention, improve user agreements, clarify users' relevant rights and obligations and perform the corresponding management responsibilities in accordance with the laws, regulations, rules and conventions; (iv) to establish convenient means for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilize new technologies and applications such as deep learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in traffic fraud, traffic hijacking and other activities related to fraudulent account, illegal account transaction or maneuver of users' account; and (iii) infringe a third party's legitimate rights or seek illegal interests by way of interfering with information display.

(5) ***The Measures for Cyber Security Review***

The Measures for Cyber Security Review (the "Cyber Security Review Measures") (《網絡安全審查辦法》) was jointly issued by the CAC, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the "MOF"), the MOFCOM, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration on December 28, 2021 and took effect on February 15, 2022. The Cyber Security Review Measures specifies that the procurement of network products and services by Critical Information Infrastructure Operator and the activities of data process carried out by online platform operator that raise or may raise "national security" concerns are subject to strict cyber security review by Office of Cyber Security Review established by the CAC. Before such Critical Information Infrastructure Operator purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, online platform operators that possess the personal data of at least one million users must apply for a cyber security review by the Cyber Security Review Office before "foreign" listing (國外上市). The Cyber Security Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cyber Security Review Measures, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of non-compliant operations. As the Company is not a critical information infrastructure operator and has not received any notification that it has been recognized as a "critical information infrastructure operator" by the industry authorities or the Internet information administration authorities, the [REDACTED] of the Company in the Hong Kong Special Administrative Region of the PRC does not constitute a foreign [REDACTED], and therefore the Company does not have the legal situation to take the initiative to conduct cyber security review as stipulated in the Measures for Cyber Security Review.

(6) *The Regulations for Safe Protection of Critical Information Infrastructure*

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "Safe Protection Regulations") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation, water conservation, finance, public services, e-government affairs and national defense and other related technology industries, as well as others in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The Safe Protection Regulations provide specific requirements for the following responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. As the Company is not an operator of critical information infrastructure, the Regulations for Safe Protection of Critical Information Infrastructure does not apply to it.

(7) *The Administration Regulations on Cyber Data Security*

The State Council promulgated the Administration Regulations on Cyber Data Security (hereinafter referred to as the "Regulations on Cyber Data Security") on September 24, 2024. Administration Regulations on Cyber Data Security is intended to come into effect on January 1, 2025, and provides that the data processors listing in foreign countries with the personal information processed of more than one million individuals shall declare cyber security review. The draft further requires the data processors that carry out the following activities to apply for cyber security review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. The Administration Regulations on Cyber Data Security is not applicable to the Company for the following reasons: (1) the Company intends to apply for [REDACTED] on the Hong Kong Stock Exchange of the PRC, but the data handled by the Company does not involve any situation that affects or is likely to affect national security; (2) the Company does not belong to the operators of critical information infrastructures and has not received any notification that it has been recognized as a "critical information infrastructure operator" by industry authorities and authorities of the Internet information administration; (3) the Company is principally engaged in the design and development, the production and processing, wholesale, retail and brand franchise of "MOKINGRAN" brand gold jewelry and is not engaged in any of the following industries: public communications and information services, energy, transportation, water, finance, public services, e-government and national defense science and technology industry, and there are no circumstances that affect or may affect national security.

The Administration of Cyber Data Security (《網絡數據安全管理條例》) provide that data processors that handle personal information of more than one million individuals shall be subject to network inspection in accordance with the provisions on the processing of important data when processing the important data. Such provision is not applicable to the Company for the following reasons: (1) The Regulations on the Administration of Cyber Data Security have not yet been formally implemented, and therefore are not applicable at the time of the Company's [REDACTED]. (2) The Company does not handle national important data or core data, and even if the Company is [REDACTED] in Hong Kong, there is no situation that affects or may affect national security.

(8) ***Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》)***

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect on September 1, 2022. According to the Measures for the Security Assessment of Cross-border Data Transmission, a data processor shall report for security assessment of cross-border data transmission when it provides personal information or important data collected and generated in the course of its business operation within the PRC to a recipient outside the PRC under any of the following circumstances: (i) transferring important data outside the PRC by a data processor; (ii) transferring personal information outside the PRC by a Critical Information Infrastructure Operator or a data processor that has processed personal information of more than one million individuals; (iii) transferring personal information outside the PRC by a data processor that has transferred personal information of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals since January 1 of the previous year; and (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. The data and personal information collected by the Company are stored domestically, and there is no cross-border transmission of data and personal information, so there is no need for security assessment of data outbound transfer, filing of standard contracts for outbound transfer of personal information, or certification of personal information protection.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982, and latest revised on April 23, 2019, and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years subject to renewal, unless otherwise revoked.

Patent Law

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020 and effective from June 1, 2021, and the Implementing Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), which was promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on January 9, 2010 and effective from February 1, 2010, provide for three types of patents, "invention", "utility model" and "design". "Invention" refers to any new technical solution in relation to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective from June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system and laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網絡域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective from November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, and conduct employees training on labor safety and sanitation. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions which are in compliance with applicable laws and regulations of labor protection.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008 set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發〈生育保險和職工基本醫療保險合併實施試點方案〉的通知》) and Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, the maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration of provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

LAWS AND REGULATIONS IN THE PRC RELATING TO TAX

Income Tax Law

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress on March 16, 2007, and most recently amended on December 29, 2018 and effective from the same date and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on April 23, 2019 and effective from the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for enterprise income tax.

Income Tax relating to Dividend Distribution

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and relevant protocols, which were promulgated by SAT on August 21, 2006, came into effect on December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in a PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, came into effect on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and subject to subsequent administration by tax authorities.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017 effective from the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax (VAT). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號)) promulgated by the Ministry of Finance and the State Administration of Taxation promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, from May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT. According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37(《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% VAT rate will be canceled. The scope of goods with 11% tax rate and the provisions for deducting input tax are specified.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) ("Announcement of the Ministry of Finance of the PRC, the State Taxation Administration and the General Administration of Customs of the PRC [2019] No. 39") announced by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%; the originally applicable VAT rate of 10% shall be adjusted to 9%.

According to the Circular of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on the Adjustment to Tax Policies on Diamonds and the Shanghai Diamond Exchange (《財政部海關總署國家稅務總局關於調整鑽石及上海鑽石交易所有關稅收政策的通知 》), the Ministry of Finance, the General Administration of Customs and the State Taxation Administration stipulated that diamonds declared for customs clearance on the Shanghai Diamond Exchange are exempted from customs duty; the tax payment of consumption tax on diamonds is moved from the production and importing segments back to retailing segments; the consumption tax on un-mounted finished diamonds and diamond jewelleries is reduced to a tax rate of 5% from the original 10%; and the tax rate on the exportation of diamonds is implemented at a zero tax rate.

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The establishment, operation and management of companies in China is governed by the Company Law of the People's Republic of China, as amended in 1999, 2004, 2005, 2013, 2018 and 2023. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (effective from January 1, 2020), repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises. Where foreign investors or foreign-funded enterprises carry out investment activities directly or indirectly within China, they shall report investment information to commerce departments. On December 27, 2021, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (the "Negative List (2021)"), which became effective on January 1, 2022. The production and sale of gold jewellery were not included in the Negative List (2021). Fields that were not included in the Negative List (2021) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the SCNPC approved the Foreign Investment Law of the People's Republic of China, and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law of the People's Republic of China (the "Implementing Rules"), to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law of the People's Republic of China, the Sino-foreign Cooperative Joint Venture Law of the People's Republic of China and the Wholly Foreign-owned Enterprise Law of the People's Republic of China, together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors; (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC; (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors; and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules. Our Company will change to a foreign-invested enterprise after [REDACTED] on the Hong Kong Stock Exchange and is required to comply with the above relevant regulations.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS AND OVERSEAS LISTING

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ("Trial Administrative Measures") and five related guidelines, which has come into effect from March 31, 2023.

According to the Trial Administrative Measures, (i) a domestic enterprise in the PRC that directly or indirectly issues securities outside the PRC or lists and trades its securities outside the PRC shall file a report with the CSRC and submit the relevant materials; if a domestic enterprise fails to comply with the procedures for filing a report, or hides important facts or fabricates any material content in the report, the domestic enterprise may be subject to administrative penalties such as rectification order, warnings, fines, and so forth, and the controlling shareholders, actual controllers, officers in charge and other persons directly responsible may also be subject to administrative penalties such as warnings, fines, and so forth; (ii) the direct overseas issuance and listing of a domestic enterprise refers to the overseas issuance and listing of shares of a joint stock limited company registered and established in the PRC; and (iii) any domestic joint stock limited company shall file a report with the CSRC within three working days after the submission of its application for an overseas listing. A PRC domestic enterprise that fails to complete the filing in accordance with the Trial Administrative Measures may be ordered by the CSRC to make corrections, given a warning and fined not less than RMB1 million and not more than RMB10 million.

In addition, overseas offering and listing by domestic companies shall abide by laws, administrative regulations and relevant rules concerning foreign investment in China, state-owned asset administration, industry regulation and outbound investment. Such activities shall not disrupt domestic market order, harm state or public interest or undermine the lawful rights and interests of domestic investors. A domestic company that seeks to offer and list securities in overseas markets shall (i) abide by applicable laws, including the Company Law of the People's Republic of China and the Accounting Law of the People's Republic of China, administrative regulations and relevant state rules, and formulate articles of association, improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices; (ii) abide by national secrecy laws and relevant provisions and take necessary measures to fulfill confidentiality obligations. Divulgence of state secrets or working secrets of government agencies is strictly prohibited. Provision of personal information, important data and etc. to overseas parties in relation to overseas offering and listing of domestic companies shall be in compliance with applicable laws, administrative regulations and relevant state rules. Furthermore, Trial Administrative Measures also stipulates that no overseas offering and listing shall be made under any of the following circumstances (among others) (i) where such fundraising offering and listing is explicitly prohibited by provisions in laws and regulations; (ii) where the intended securities offering and listing may endanger national security; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over the equity held by controlling shareholders or by other shareholders that are controlled by controlling shareholders or actual controllers.

Full Circulation of H Shares

"Full circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of a domestic H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》), allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". Pursuant to the Trial Measures for Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises （《境內企業境外發行證券和上市管理試行辦法》）, shareholders holding unlisted shares in the PRC should comply with the relevant requirements of the CSRC and appoint a domestic enterprise to file a report with the CSRC.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business ("Measures for Implementation"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has issued the Circular on Issuing the Guidelines to the Program for "Full Circulation" of H-shares (《關於發佈〈H股「全流通」業務指南〉的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Company Limited promulgated the Guidelines to the Program for Full Circulation of H-shares of China Securities Depository and Clearing (Hong Kong) Company Limited (《中國證券登記結算(香港)有限公司H股「全流通」業務指南》) to specify the relevant escrow, custody, agent service of China Securities Depository and Clearing (Hong Kong) Company Limited, arrangement for settlement and delivery and other relevant matters.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to this regulation and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange (SAFE) or its local counterpart is obtained.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19"). According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, the SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of Further Improving and Adjusting the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the "SAFE Circular 13"), which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16"), was promulgated by SAFE on June 9, 2016. Pursuant to the SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which, among other things, allows all FIEs to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated with effect from April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

OUR HISTORY AND FOUNDERS

Our business was founded by Mr. Wang Zhongshan and Ms. Zhang Xiuqin, each of whom has more than 20 years of experience in jewellery industry. Ms. Zhang Xiuqin is the spouse of Mr. Wang Zhongshan. Prior to founding our Group, Mr. Wang Zhongshan devoted himself to the jewellery production and processing industry through accumulating valuable industry experience by engaging in gemstone inlay and learning from masters of arts and crafts in this field. See "Directors, Supervisors and Senior Management" for further details. We have evolved since 2000, when our operations were limited to processing and sale of jewellery. With the registration of "Mokingran" as our trademark in 2004, we began designing innovative jewellery products via OBM business model. We then further established our franchisees network since our first franchisee stores in 2012 and gradually become one of the very few major gold jewellery brands in the PRC with an operation that encompass key stages of the gold jewellery. Changle Huaye Jewellery Limited* (昌樂華業珠寶有限公司, now known as 夢金園黃金珠寶集團股份有限公司 MOKINGRAN JEWELLERY GROUP CO., LTD.) is our first manufacturing and operation entity established in Changle County, Weifang City, Shandong Province in 2000 and was principally engaged in processing, wholesale, and sales of jewellery upon its establishment. See "— Our Corporate Development" below for details.

We have continuously expanded our offline sales network through various subsidiaries. To embrace opportunities in e-commerce market, we established Shenzhen E-commerce with an Independent Third Party in August 2018. Shenzhen E-commerce is principally engaged in online sales of jewellery. See "— Our Corporate Development" and "— Our Subsidiaries" below for details.

OUR KEY MILESTONES

The following table sets forth our key milestones:

Year	Milestones/Events
2008 . . .	• We developed a patented technology of gold jewellery welding method (一種黃金飾品焊接方法), also known as "autogenous welding" (無焊料焊接) and increased the purity level of gold jewellery to 999.9.
2010 . . .	• Our trademark "梦金园" was awarded as the China Well-known Trademark by China Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China.
2011 . . .	• Our patented technology of gold jewellery welding method (一種黃金飾品焊接方法), also known as "autogenous welding" (無焊料焊接) was awarded the China Patent Excellence Award (第十三屆中國專利優秀獎) by National Intellectual Property Administration of the People's Republic of China and was listed as Key Torch Plan Project (火炬計劃項目) by the Ministry of Science and Technology of the People's Republic of China.
2012 . . .	• We have sponsored the "Golden 100 Seconds (《黃金100秒》)" produced by CCTV 3 for eight years consecutively since 2012.
2013 . . .	• We were awarded the "Provincial Intangible Cultural Heritage (省級非物質文化遺產)" for our skills in respect of gold jewellery crafting.
2014 . . .	• We participated in the drafting of the national standard "Gold Ingot".
2016 . . .	• We successfully obtained the title of Guinness World Records — Largest Gold Ring and the Purest Gold Jewellery, with purity level of gold jewellery products reaching 99.9999.
2017 . . .	• We were awarded the China Patent Excellence Award for our "automatic thin wall gold tube necking machine (薄壁金管自動縮口機)".

Year	Milestones/Events
2019 . . .	• We achieved technological breakthroughs and achieved domestic mass production of spring clasps for 18K-gold jewellery.
2022 . . .	• We have been among the "Top Ten Enterprises in China in terms of Gold Jewellery Processing Volume (中國黃金首飾加工量十大企業)" for eight consecutive years since 2014.
	• We have been awarded the "Top Ten Enterprises in China in terms of Gold and Jewellery Sales Revenue" for seven consecutive years since 2015.
	• We won the title of Single Champion Enterprise in Manufacturing Industry in Shandong Province (山東省製造業單項冠軍企業).
2023 . . .	• We commenced the operation of our gold jewellery intelligent manufacturing center.

OUR CORPORATE DEVELOPMENT

Establishment of our Company in September 2000

Our Company (formerly known as "Changle Huaye Jewellery Limited* (昌樂華業珠寶有限公司)", "Tianjin Mokingran Jewellery Limited* (天津夢金園珠寶首飾有限公司)", "Tianjin Mokingran Gold Jewellery Limited* (天津夢金園黃金珠寶有限公司)" and "Mokingran Gold Jewellery Group Limited* (夢金園黃金珠寶集團有限公司)") was established on September 8, 2000 in the PRC with an initial registered capital of RMB500,000, of which RMB250,000 was contributed by Mr. Wang Zhongshan in cash and RMB250,000 was contributed by Mr. Zhu Xuede (朱學德) in cash. Mr. Zhu is a friend of Mr. Wang Zhongshan and an Independent Third Party. The initial registered capital was fully paid up. Upon its establishment, our Company was owned as to 50% by Mr. Wang Zhongshan and 50% by Mr. Zhu Xuede (朱學德).

Ms. Zhang Xiuqin, spouse of Mr. Wang Zhongshan, acquired the entire equity interests held by Mr. Zhu Xuede (朱學德) at a consideration of RMB250,000 in December 2000. The consideration was determined based on the then registered capital of our Company and had been fully settled. Upon completion of the transfer of aforesaid equity interests, our Company was owned as to 50% by Mr. Wang Zhongshan and 50% by Ms. Zhang Xiuqin. Mr. Zhu Xuede (朱學德) disposed his entire equity interests in our Company due to his personal financial concerns.

Capital increases by our Controlling Shareholders from March 2003 to December 2015

After two rounds of capital increase by Mr. Wang Zhongshan and Ms. Zhang Xiuqin from March 2003 to May 2011, the registered capital of our Company was increased from RMB500,000 to RMB120 million, of which RMB59,750,000 was contributed by Mr. Wang Zhongshan in cash and RMB59,750,000 was contributed by Ms. Zhang Xiuqin in cash. The consideration of the above two rounds of capital increase was determined based on the then registered capital of our Company and had been fully paid up.

In December 2015, Tianjin Yuanjinmeng subscribed for the increased registered capital of RMB40 million in cash. Tianjin Yuanjinmeng has been owned as to 50% by Mr. Wang Guoxin and 50% by Ms. Wang Na since its establishment and up to the Latest Practicable Date. Mr. Wang Guoxin is the son of Mr. Wang Zhongshan and Ms. Zhang Xiuqin and Ms. Wang Na is the daughter of Mr. Wang Zhongshan and Ms. Zhang Xiuqin. The consideration of such capital increase was determined based on the then registered capital of our Company and had been fully paid up. Upon completion of the capital increase, our Company was owned as to 25.00%, 37.50% and 37.50% by Tianjin Yuanjinmeng, Mr. Wang Zhongshan and Ms. Zhang Xiuqin, respectively.

Capital increases by three Employee Shareholding Platforms in March 2016

In March 2016, our Employee Shareholding Platforms subscribed for the increased registered capital of RMB40 million in cash, of which Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership made capital contribution of RMB22 million, RMB9 million and RMB9 million, respectively. See "— Our Employee Shareholding Platforms" below for details of our Employee Shareholding Platforms. The consideration of such capital increase was determined based on the then net asset value of our Company as of the end of 2015 and had been fully paid up. Upon completion of the capital increase, our Company was owned as to 11.00%, 4.50%, 4.50%, 20.00%, 30.00% and 30.00% by Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership, Tianjin Yuanjinmeng, Mr. Wang Zhongshan and Ms. Zhang Xiuqin, respectively.

Conversion to a joint stock limited company

On June 7, 2018, all our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company. Upon completion of the conversion, the registered capital of our Company was RMB224,900,000 divided into 224,900,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The share conversion was completed on June 29, 2018.

Investment by our [REDACTED]

In March 2018, our Company entered into a capital increase agreement with Tianjin Haikai Xinchuang, Ping An Tianyu, Chengcheng Dinghui, Jiaxing Yugang and Ms. Huang Yi, pursuant to which Tianjin Haikai Xinchuang, Ping An Tianyu, Chengcheng Dinghui, Jiaxing Yugang and Ms. Huang Yi subscribed for increased registered capital of RMB10.00 million, RMB7.86 million, RMB1.14 million, RMB0.90 million and RMB5.00 million, respectively. The consideration of such capital increase was determined after arm's length negotiation among the parties with reference to the then net profits of the Company for the year ended December 31, 2017. Each of Tianjin Haikai Xinchuang, Ping An Tianyu, Chengcheng Dinghui, Jiaxing Yugang and Ms. Huang Yi fully settled their respective subscription amount on March 28, 2018, March 23, 2018, March 26, 2018, March 23, 2018 and March 23, 2018, respectively. Upon completion of the investment, the shareholding structure of our Company was as follows:

	Name of Shareholders	Number of Shares	Approximate equity interests percentage in our Company
			(%)
1	Wang Zhongshan	60,000,000	26.68%
2	Zhang Xiuqin	60,000,000	26.68%
3	Tianjin Yuanjinmeng	40,000,000	17.79%
4	Jinmeng Partnership	22,000,000	9.78%
5	Tianjin Haikai Xinchuang	10,000,000	4.45%
6	Jinyuan Partnership	9,000,000	4.00%
7	Jinlong Partnership	9,000,000	4.00%
8	Ping An Tianyu *(Note)*	7,860,000	3.49%
9	Huang Yi	5,000,000	2.22%
10	Chengcheng Dinghui *(Note)*	1,140,000	0.51%
11	Jiaxing Yugang *(Note)*	900,000	0.40%
		224,900,000	**100.00%**

Note:

Ping An Tianyu is a limited liability partnership established in the PRC on December 7, 2015, the general partner of which is Ping An Caizhi Investment Management Co., Ltd.* (平安財智投資管理有限公司). Chengcheng Dinghui is a limited liability partnership established in the PRC on September 30, 2017, the general partner of which is Guangzhou Chengcheng Equity Investment Management Co., Ltd.* (廣州成誠股權投資管理有限公司). Jiaxing Yugang is a limited partnership established in the PRC on March 31, 2017, the general partner of which is Ping An Caizhi Investment Management Co., Ltd.* (平安財智投資管理有限公司). Ping An Tianyu, Chengcheng Dinghui and Jiaxing Yugang are Independent Third Parties.

On January 26, 2022, Chengcheng Dinghui entered into a share transfer agreement with Ms. Zhang Yizhen and Mr. Zhang Jianjun, pursuant to which Chengcheng Dinghui transferred its approximately 0.36% and 0.15% equity interests in our Company to Ms. Zhang Yizhen and Mr. Zhang Jianjun, respectively, at a consideration of RMB12.97 per Share. The consideration was determined after arm's length negotiation among the parties and had been fully settled in February 2022. Upon completion of the Share transfer, the shareholding structure of our Company was as follows:

	Name of Shareholders	**Number of Shares**	**Approximate equity interests percentage in our Company**
			(%)
1	Wang Zhongshan	60,000,000	26.68%
2	Zhang Xiuqin	60,000,000	26.68%
3	Tianjin Yuanjinmeng	40,000,000	17.79%
4	Jinmeng Partnership	22,000,000	9.78%
5	Tianjin Haikai Xinchuang	10,000,000	4.45%
6	Jinyuan Partnership	9,000,000	4.00%
7	Jinlong Partnership	9,000,000	4.00%
8	Ping An Tianyu	7,860,000	3.49%
9	Huang Yi	5,000,000	2.22%
10	Jiaxing Yugang	900,000	0.40%
11	Zhang Yizhen	800,000	0.36%
12	Zhang Jianjun	340,000	0.15%
		224,900,000	**100.00%**

On March 5, 2022, Ms. Huang Yi entered into a share transfer agreement with Ms. Zhang Yizhen, pursuant to which Ms. Huang Yi transferred her approximately 0.67% equity interests in our Company to Ms. Zhang Yizhen at a consideration of RMB12.98 per Share for her personal financial reason. The total consideration of RMB19,470,000 was determined based on arm's length negotiation among the parties and had been fully settled on January 27, 2022*(Note)*. Upon completion of the Share transfer, the shareholding structure of our Company was as follows:

	Name of Shareholders	Number of Shares	Approximate equity interests percentage in our Company (%)
1	Wang Zhongshan	60,000,000	26.68%
2	Zhang Xiuqin	60,000,000	26.68%
3	Tianjin Yuanjinmeng	40,000,000	17.79%
4	Jinmeng Partnership	22,000,000	9.78%
5	Tianjin Haikai Xinchuang	10,000,000	4.45%
6	Jinyuan Partnership	9,000,000	4.00%
7	Jinlong Partnership	9,000,000	4.00%
8	Ping An Tianyu	7,860,000	3.49%
9	Huang Yi	3,500,000	1.56%
10	Jiaxing Yugang	900,000	0.40%
11	Zhang Yizhen	2,300,000	1.02%
12	Zhang Jianjun	340,000	0.15%
		224,900,000	**100.00%**

On May 20, 2022, Jiaxing Yugang entered into a share transfer agreement with Mr. Wang Zhongshan, pursuant to which Jiaxing Yugang transferred its approximately 0.40% equity interests in our Company to Mr. Wang Zhongshan at a consideration of RMB12.88 per Share. The total consideration of RMB11,592,000 was determined after arm's length negotiation among the parties and had been fully settled on May 23, 2022.

On the same date, Ping An Tianyu entered into two separate share transfer agreements with Mr. Wang Zhongshan and Mr. Zhao Duxue, pursuant to which Ping An Tianyu transferred its approximately 1.72% and 1.78% equity interests in our Company to Mr. Wang Zhongshan and Mr. Zhao Duxue, respectively, at a consideration of RMB12.88 per Share, which was determined after arm's length negotiation among the parties and had been fully settled on May 23, 2022.

Note: To the best knowledge of the Company, given that Ms. Huang Yi and Ms. Zhang Yizhen were not in the same country to execute the agreement of the share transfer and in the interest of time, they agreed to settle the consideration first in January 2022 and subsequently executed the agreement in writing.

Upon completion of the Share transfers, the shareholding structure of our Company was as follows:

	Name of Shareholders	Number of Shares	Approximate equity interests percentage in our Company
			(%)
1	Wang Zhongshan	64,760,000	28.80%
2	Zhang Xiuqin	60,000,000	26.68%
3	Tianjin Yuanjinmeng	40,000,000	17.79%
4	Jinmeng Partnership	22,000,000	9.78%
5	Tianjin Haikai Xinchuang	10,000,000	4.45%
6	Jinyuan Partnership	9,000,000	4.00%
7	Jinlong Partnership	9,000,000	4.00%
8	Zhao Duxue	4,000,000	1.78%
9	Huang Yi	3,500,000	1.55%
10	Zhang Yizhen	2,300,000	1.02%
11	Zhang Jianjun	340,000	0.15%
		224,900,000	**100.00%**

Subsequent to being informed that our previous A-share listing attempt was not approved by the CSRC in November 2021, Chengcheng Dinghui, Jiaxing Yugang and Ping An Tianyu disposed of their entire equity interests in our Company between January to May 2022 due to their respective internal investment decisions.

In August 2022, CITIC Securities Investment subscribed for 4,166,666 Shares in cash at RMB12.00 per Share. The consideration of the capital increase was determined after arm's length negotiation among the parties with reference to the then net asset value of our Company and had been fully paid up on August 26, 2022. Upon completion of the capital increase, the shareholding structure of our Company was as follows:

	Name of Shareholders	Number of Shares	Approximate equity interests percentage in our Company
			(%)
1	Wang Zhongshan	64,760,000	28.27%
2	Zhang Xiuqin	60,000,000	26.19%
3	Tianjin Yuanjinmeng	40,000,000	17.46%
4	Jinmeng Partnership	22,000,000	9.60%
5	Tianjin Haikai Xinchuang	10,000,000	4.37%
6	Jinyuan Partnership	9,000,000	3.93%
7	Jinlong Partnership	9,000,000	3.93%
8	CITIC Securities Investment	4,166,666	1.82%
9	Zhao Duxue	4,000,000	1.75%
10	Huang Yi	3,500,000	1.53%
11	Zhang Yizhen	2,300,000	1.00%
12	Zhang Jianjun	340,000	0.15%
		229,066,666	**100.00%**

OUR EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our Group's directors, supervisors, senior management and employees and to incentivize them to further promote our development, Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership were established in the PRC as our Employee Shareholding Platforms.

JINMENG PARTNERSHIP

Jinmeng Partnership was established in the PRC as a limited partnership on March 16, 2016. Mr. Wang Zhongshan (our founder, chairman of our Board, executive Director and a member of our Controlling Shareholders group), is the general partner of Jinmeng Partnership and is responsible for the management of Jinmeng Partnership. As of the Latest Practicable Date, Jinmeng Partnership had 15 limited partners, including Mr. Wang Guoxin (our senior management and a member of our Controlling Shareholders group), Ms. Wang Na (a member of our Controlling Shareholders group), Ms. Jiang Liying (our executive Director), Mr. Wang Zegang (our executive Director), Mr. Wen Shuqing (our senior management), Mr. Zhang Libai (our senior management), Mr. Zhang Xin (our Supervisor), Mr. Wang Yanpeng (our Supervisor) and other seven persons who are either directors, supervisors, senior management of our subsidiaries or employees of our Group. As of the Latest Practicable Date, Jinmeng Partnership subscribed for 9.60% of the total issued Share capital of our Company by using the relevant employees' own funds. The voting rights attaching to the Shares held by Jinmeng Partnership are exercised by the general partner (i.e. Mr. Wang Zhongshan) of Jinmeng Partnership.

JINYUAN PARTNERSHIP

Jinyuan Partnership was established in the PRC as a limited partnership on March 16, 2016. Ms. Zhang Xiuqin (our vice chairman, executive Director and a member of our Controlling Shareholders group) is the general partner of Jinyuan Partnership and is responsible for the management of Jinyuan Partnership. As of the Latest Practicable Date, Jinyuan Partnership had 28 limited partners, who are either directors, supervisors, senior management of our subsidiaries or employees of our Group. As of the Latest Practicable Date, Jinyuan Partnership subscribed for 3.93% of the total issued Share capital of our Company by using the relevant employees' own funds. The voting rights attaching to the Shares held by Jinyuan Partnership are exercised by the general partner (i.e. Ms. Zhang Xiuqin) of Jinyuan Partnership.

JINLONG PARTNERSHIP

Jinlong Partnership was established in the PRC as a limited partnership on March 16, 2016. Ms. Zhang Xiuqin is the general partner of Jinlong Partnership and is responsible for the management of Jinlong Partnership. As of the Latest Practicable Date, Jinlong Partnership had 36 limited partners, including 35 persons who are either directors, supervisors, senior management of our subsidiaries or employees of our Group and one successor who is the spouse of our Group's deceased employee. As of the Latest Practicable Date, Jinlong Partnership subscribed for 3.93% of the total issued Share capital of our Company by using the relevant employees' own funds. The voting rights attaching to the Shares held by Jinlong Partnership are exercised by the general partner (i.e. Ms. Zhang Xiuqin) of Jinlong Partnership.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had 22 subsidiaries, including 21 wholly-owned subsidiaries and one non-wholly owned subsidiary. The table below sets forth details of our 10 principal subsidiaries, which, in the opinion of our Directors, are material to our business development or formed a substantial portion of the assets, revenue or profits of our Group during the Track Record Period:

Name	Place of Establishment	Shareholding Structure	Registered Capital/Share Capital	Date of Establishment/Date of Commencement of Business	Principal Business Activities
Changle Chengxin . . .	PRC	100% owned by Company	RMB40,000,000	September 8, 2003	Jewellery retail stores
Shandong Mokingran . .	PRC	100% owned by Company	RMB60,000,000	April 5, 2004	Wholesale sales of jewellery
Shandong Yifu	PRC	100% owned by Company	RMB76,614,000	August 2, 2007	Jewellery production
Shenzhen Mokingran . .	PRC	100% owned by Company	RMB80,000,000	December 10, 2010	Diamond jewellery retail stores
Jinan Mokingran	PRC	100% owned by Company	RMB5,000,000	June 17, 2011	Wholesale sales of jewellery
Zhongbao Zhengxin . .	PRC	100% owned by Company	RMB50,000,000	March 26, 2013	Jewellery testing
Shanghai Yuanjunmeng	PRC	100% owned by Shandong Mokingran	RMB1,000,000	December 3, 2014	Wholesale of polished diamond
Shandong E-commerce .	PRC	100% owned by Shandong Mokingran	RMB3,000,000	December 12, 2014	Jewellery retail stores and online sales
Shenyang Mokingran . .	PRC	100% owned by Company	RMB5,000,000	April 7, 2015	Wholesale sales of jewellery
Beijing Mokingran . . .	PRC	100% owned by Company	RMB5,000,000	August 21, 2017	Wholesale sales of jewellery

PREVIOUS A-SHARE APPLICATIONS

The First A-Share Application

In August 2018, we engaged GF Securities Co., Ltd. (廣發証券股份有限公司) as the sponsor in preparation for our proposed submission of application for listing of our shares (the "**A-share Application**") on the main board of the Shenzhen Stock Exchange (the "**SZSE**"), considering the fact that GF Securities Co., Ltd. (廣發証券股份有限公司) had previous experience of sponsoring the listing of another PRC gold jewellery company on the SZSE. After such engagement, GF Securities did not make any formal listing application on behalf of the Company. Subsequently, we terminated our engagement with GF Securities Co., Ltd. (廣發証券股份有限公司) in May 2020 because GF Securities might have been involved in material non-compliance and was allegedly subject to investigation, and engaged Zhongtai Securities Co., Ltd. (中泰證券股份有限公司) as our sponsor to submit the A-share Application on the main board of the SZSE to the CSRC in September 2020. There has been no disagreement between our Company and GF Securities Co., Ltd. and Zhongtai Securities Co., Ltd in respect of the A-share Application. Based on the independent due diligence work performed by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor which indicated that there were any disagreements between the Company and the previous sponsors engaged by the Company in relation to the A-share Application.

During the vetting of our A-share Application, the CSRC issued two rounds of comments, with the first batch of comments in November 2020 and second batch in June 2021. We provided written responses to these comments. Our A-Share Application then went into hearing on November 25, 2021. The CSRC formally issued a rejection notice to our A-share Application on December 20, 2021 and expressed concerns that certain of its comments had not been satisfactorily addressed, namely (i) the business rationale of our gold trade-in and "One RMB Exchange" activities; (ii) the discrepancy in inventory data in the A-share Application materials; and (iii) the inventory level of our franchise stores (the "**CSRC Comments**"). We terminated our engagement of Zhongtai Securities Co., Ltd. (中泰證券股份有限公司) and engaged CITIC Securities Co., Ltd (中信證券有限公司) for our second A-share application, after considering the latter's market reputation and experience in similar transactions. For further details of our second A-share application and engagement of CITIC Securities Co., Ltd (中信證券有限公司), please see "— The Second A-Share Application and the [REDACTED]."

Our Directors are of the view, and the Sole Sponsor concurs, that the above-mentioned comments are resolved or addressed, or render our Company not suitable for [REDACTED] on the Stock Exchange based on the facts and grounds set forth below.

(1) We believe we have a sound business rationale for our gold trade-in and "One RMB Exchange" activities

During the course of vetting by the CSRC, concerns were raised as to the commercial rationale of our gold trade-in activities. For details on the background and business activities of gold trade-in, see "Business — Gold Trade-in". According to Frost & Sullivan, gold trade-in is a common practice across the gold jewellery industry. Despite such activity being an industry norm, the CSRC was concerned that our Company had engaged in gold trade-in on a much larger scale compared to other listed companies in the same industry. In addition, according to Frost & Sullivan, the proportions of gold trade-in transaction among our peers with purifying and manufacturing capabilities in the gold jewellery industry ranged from 20% to 40%, in terms of our peers' sales volume during the Track Record Period, which was comparable to that of our Group. Furthermore, according to Frost & Sullivan, the counterparties of the gold trade-in conducted by our peers are similar to ours, which include franchisees, provincial-dealers and consumers. The table sets forth the examples of our peer companies that engage in the sales of gold jewellery products and possess purification and manufacturing capabilities:

Identity	Profile	Business model	Scale of operations, in terms of gold jewellery revenue in the PRC, 2023	Proportion of gold trade-in transaction in terms of sales volume, 2023(Note)
Competitor A	Competitor A is a leading jewellery company that offers a wide range of jewellery products, including gold, platinum, and diamonds.	Its capacity to refine and produce gold is limited, requiring third-party services. Additionally, it sets a high trade-in threshold for consumers to exchange for new products.	RMB11.0 billion	approximately 15%
Competitor B	Competitor B is one of the China time-honoured brands in the PRC. Competitor B mainly engages in jewellery and gold business, stationary and art craft.	It has certain purification capabilities. Gold trade-in is mainly used as a marketing strategy to serve and attract new and existing customers.	RMB56.4 billion	approximately 25%
Competitor C	Competitor C is a leading gold jewellery company in the PRC. Competitor C mainly engages in the gold and gold jewellery processing and sales.	It has a strong capability with specialized recycling business, and the self-produced products are mainly gold bars. Additionally, Competitor C has subsidiaries, which specialize in gold refining.	RMB55.5 billion	approximately 50%
Competitor D	Competitor D is a jewellery company that integrates the research and development, design, production, and retail of jewellery, including gold, platinum, diamonds, and jade.	Its gold refining and production capacity is minimal, so it relies on third parties to carry out these processes.	RMB3.9 billion	approximately 30%

Note: Proportion of gold trade-in transactions in terms of sales volume = Volume of gold trade-in/Total sales volume of gold. Competitor E in the below table does not have gold purification capabilities.

For further information on the background of conducting gold trade-in, see "Business — Gold Trade-in — Background" for more details.

Our Directors are of the view, and the Sole Sponsor concurs, that there are no material unusual features regarding our gold trade-in practice when compared to other major industry players, and that CSRC's concerns on our gold trade-in activities during the previous A-share Application are resolved or addressed for the following reasons:

Commercial Rationale

— *Our Strong Gold Purification Capability:* We have the technical capability to effectively process used gold for purification. According to Frost & Sullivan, the approximate proportions of gold trade-in to total revenue among our peers and our Group during the previous A-Share Application (for the years ended December 31, 2018, 2019 and 2020) and during the Track Record Period, were as follows:

	Proportion of gold trade-in to total revenue					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Competitor A	10%	15%	10%	15%	15%	20%
Competitor B	15%	20%	15%	25%	20%	30%
Competitor C	25%	25%	35%	45%	45%	50%
Competitor D	20%	25%	15%	30%	30%	30%
Competitor E	5%	5%	5%	20%	25%	30%
Our Group	59.4%	51.9%	67.5%	47.9%	36.9%	33.1%

We had a relatively higher demand for gold as raw materials in our manufacturing process, compared to other major industry players during the previous A-Share Application (for the three years ended December 31, 2020). According to Frost & Sullivan, other major industry players either do not engage in the manufacturing of gold jewelry or lack sufficient gold purification capabilities to process used gold, or both. Our gold purification capabilities allow us to effectively reproduce high-purity gold from trade-in gold, making it a viable option for us to source gold. According to Frost & Sullivan, some gold jewellery companies lack adequate production capacity and sufficient gold purification capabilities, necessitating the outsourcing of used gold to refineries, which may increase costs and result in a lower trade-in proportion. As such, although consumers had the needs for gold trade-in, some major industry peers might not accept trade-in gold or imposed restrictions on the gold trade-in during the A-share application period of the Company from 2018 to 2020, considering their cost to deal with the used gold received, according to Frost & Sullivan. These restrictions included setting high weight requirements for newly purchased gold jewellery products in gold trade-in transactions, refusing gold trade-in of gold jewellery of third-party brands, limiting gold trade-ins by establishing volume ceilings for provincial dealers and franchisees, and even refusing to accept trade-in gold. However, as we enhanced our internal control over gold trade-in, in particular, the controls over trade-in gold of third party brand, our proportion of gold trade-in to revenue of gold jewellery had recorded a decreasing trend since 2020. Moreover, according to Frost & Sullivan, with the general upward trend of gold price during the Track Record Period and the establishment of relevant standards in 2022 and 2023 to regulate gold recycling services, there was a general increase in consumers' demand to conduct gold trade-in transactions, and in light of such demand, our competitors have been more receptive of conducting gold trade-in transactions, which includes (1) certain of them beginning to accept gold jewellery of third-party brands for trade-in transactions and (2) alleviating their limit on gold trade-in during the Track Record Period. For example, during the A-share application period of the Company from 2018 to 2020, Competitor B required newly purchased gold jewellery to be at least 30% heavier than the trade-in gold and did not accept trade-in gold of third-party brands, whereas since 2022 the requirement has been reduced to 20%, and trade-in gold of third-party brands are accepted. At the same time, another jewellery brand did not accept third-party brands, whereas since 2022 it accepts trade-in gold of third-party brands. The aforementioned industry trend coupled with our decreasing proportion of gold trade-in following our enhanced internal control brought our gold trade-in proportion more in line with that of our competitors for the years ended December 31, 2021, 2022 and 2023.

According to Frost & Sullivan, the proportions of self-production and outsourcing among our peer companies for the year ended December 31, 2023 were as follows:

	Proportion of self-production in terms of processing volume (excluding gold bullion), 2023	**Proportion of outsourcing in terms of processing volume (excluding gold bullion), 2023**
Competitor A	approximately 45%	approximately 55%
Competitor B	approximately 50%	approximately 50%
Competitor C	nil	100%
Competitor D	approximately 20%	approximately 80%
Competitor E	nil	100%

— *Gold Trade-in is Beneficial Economically:* Our gold trade-in arrangements are also beneficial for us economically. From a liquidity and commercial perspective, (i) we charge higher crafting fees for the gold of third-party brand(s) traded-in from provincial-dealers and franchisees, and (ii) receiving gold through trade-in allows us to reduce substantial upfront cash outflow compared to sourcing gold through direct procurement.

— *Source Diversification and ESG:* Engaging in gold trade-in allows us to diversify the source of our gold procurement, which is in line with our ESG philosophy of applying recycled material to production.

For further details on the commercial rationale for conducting gold trade-in, see "Business — Commercial rationale for conducting gold trade-in".

Market data and industry consultant's view

According to Frost & Sullivan, our gold trade-in activities during the Track Record Period were largely in line with that of the industry practice.

More specifically, according to Frost & Sullivan:

- During the Track Record Period, there were no material unusual features regarding our gold trade-in practice when compared to other major industry players.

- The five-largest jewellery brands measured by revenue derived from gold jewellery in the PRC in 2023 had an estimated self-production rate that ranged from nil to approximately 50% in 2023, whereas we produced substantially all of our gold jewellery products during the Track Record Period.

- Among gold jewellery manufacturers who had gold purifying capability, the proportion of traded-in gold as a percentage of total raw materials applied to production ranged from 40% to 100% in 2023, which was comparable to that of our Group. In addition, the table below sets forth the relevant details of peer competitors that primarily focus on manufacturing gold jewellery and have purification and manufacturing capabilities:

Identity	Profile	Business Model	Sales of operations, in terms of value of gold trade-in, 2023	Scale of operations, in terms of volume of gold trade-in, 2023	Percentage of trade-in gold as raw materials applied to production, in terms of processing volume, 2023(Note)
Competitor F	Competitor F is a producer and service provider specializing in gold and other jewellery.	Competitor F provides design and processing services to jewellery companies, refining its recycled gold for reuse in production or for direct sale as gold bullion.	approximately RMB15.5 billion	approximately 35 tons	approximately 40%
Competitor G	Competitor G specializes in the precious metals sector, encompassing the research, development, and manufacturing of precious metal jewellery, as well as global trade and finance in precious metals, and the research, development, and processing of new precious metal materials.	Competitor G also engages in the recycling of gold, refining it for fabrication into gold bars, which are either sold directly or utilized in international trade. Additionally, a select portion of this refined gold is crafted into fine jewellery.	approximately RMB8.7 billion	approximately 20 tons	approximately 50%
Competitor H	Competitor H is a company that focuses on the repurchase, refining, and trading of precious metal materials, as well as the sales of jewellery products.	Competitor H specializes in recycling, refining, and manufacturing gold, which is used for production by jewellery companies and for investment purposes by consumers.	approximately RMB24.7 billion	approximately 55 tons	approximately 100%
Competitor I	Competitor I specializes in a comprehensive suite of precious metal services, encompassing the sale, recycling, processing, and smelting of gold, palladium, platinum, silver, and rhodium.	Competitor I engages in the recycling and refining of gold, subsequently manufacturing the refined product into gold bars for business customers and gold jewellery for personal customers.	approximately RMB9.0 billion	approximately 20 tons	approximately 100%

Note: Percentage of trade-in gold used as raw materials in terms of processing volume = Volume of trade-in gold/ Total processing (production, processing, refining) volume of gold.

Moreover, according to the "China Gold Yearbook 2021", "China Gold Yearbook 2022" and "China Gold Yearbook 2023" and "China Gold Yearbook 2024" released by the China Gold Association, the proportions of gold jewellery made from used gold jewellery in the PRC in 2020, 2021, 2022 and 2023 were 57.1%, 24.6%, 30.4% and 73.9%, respectively. In 2023, the proportion of gold jewellery made from used gold jewellery in the PRC significantly increased, primarily due to several factors, including: (i) gold prices experienced significant growth in 2023, prompting consumers to sell their gold jewellery for profit; and (ii) the government of Luohu District in Shenzhen, along with the China Gold Association and other enterprises, established relevant standards in 2022 and 2023 to regulate gold recycling services, promoting the standardization of gold jewellery recycling processes and improving the convenience of recycling channels. While used gold as part of the consideration paid to us ranged between 33.7% and 48.5% of our total revenue for the three years ended December 31, 2023, this range is within the range of the aforementioned figures in the China Gold Yearbooks.

Internal control measures

To address the CSRC's concern that our Company had engaged in gold trade-in on a much larger scale compared to other listed companies in the same industry, we have enhanced our internal control over gold trade-in arrangements, thereby to ensure the quality of traded-in gold collected and exert better control over gold trade-in activities. Gold received through trade-in is solely used as a means to settle the consideration of new gold jewellery purchased from us. To strengthen our control over such trade-ins, we have adopted a CRM system to monitor gold trade-in activities, and we encourage our franchisees to utilize our CRM system to record their sales to consumers and their procurement from our Group settled by way of gold trade-in. Such measures enhance our ability to review sales data related to gold trade-in activities of franchisees, allow us to more readily access accurate data relating to gold trade-ins and provide traceability of our gold trade-in transactions. Despite our gold trade-in activities was of a larger scale when compared to certain listed companies in the same industry, through enhancing the traceability of our gold trade-in transactions, we can still maintain the authenticity and genuineness of our trade-in transactions, as well as the quality of traded-in gold collected as such documentation provides us means to trace back and identify the source of any issues. For more details, refer to "Business — Gold Trade-in."

Our internal control consultant did not identify any material defects with regard to our gold trade-in internal control procedure.

CSRC's concerns in relation to "One RMB Exchange"

Apart from day-to-day gold trade-in, we also implement "One RMB Exchange" promotions regularly for our "Wan Purity" series products. Under such promotions, consumers may trade-in our "Wan Purity" gold series products that they previously purchased for new pieces of "Wan Purity" series gold jewellery of the same weight or more plus a nominal crafting fee of one RMB per traded-in gram of gold with our franchisees or at our self-operated stores. Consumers pay the market gold price and regular crafting fees for any additional gold they purchase as a result of the trade-in. See "Business — Gold Trade-in — Background" for further details.

During the vetting process of our previous A-Share Application, the CSRC raised concerns about (1) the commercial rationale behind franchisees participating in the "One RMB Exchange" without a written agreement on specific policies and terms with us, and (2) whether such participation might lead to franchisees incurring losses.

Economic benefits to franchisees

Our Directors are of the view that there are both direct and indirect economic benefits for franchisees to participate in the "One RMB Exchange" promotion for our "Wan Purity" series products. The rationale for holding the "One RMB Exchange" promotion is that (i) the transaction model of such promotion enhances customer stickiness and (ii) as a promotional event, the "One RMB Exchange" promotion helps to boost customer flow and increases sales for our franchisees.

As mentioned above, only customers who own our "Wan Purity" series products may participate in the "One RMB Exchange" promotion. Such exclusivity channels consumer demand and improves consumer stickiness towards our brand.

On the other hand, gold jewellery being traded-in can only be exchanged for new pieces of gold jewellery of the same weight or more. If the weight of the new pieces of gold jewellery exceeds that of the traded-in gold, consumers are required to pay for the excess portion of gold purchased, along with the associated regular crafting fees. The "One RMB Exchange" promotion offers consumers incentives to replace their old jewellery with new pieces. With the promotional nature of the "One RMB Exchange" program, franchisees may also experience higher consumer flow and increased sales volume and hence benefit from the promotion event. All franchisees participated in such promotions, even though no specific written agreements were entered into solely for this purpose, hence, the CSRC concerns are not relevant to the [REDACTED]. The following further provides a quantitative analysis of the economic benefits brought about by the "One RMB Exchange" promotion:

1. *Average monthly sales revenue and sales volume of our franchise stores during the "One RMB Exchange" promotion*

   During the Track Record Period, we typically held the "One RMB Exchange" promotion for our "Wan Purity" series products for one week in each of our franchise stores between June and September. We organize "One RMB Exchange" program in different provinces sequentially in order to ensure stable supply of our products. Accordingly, timing of holding the "One RMB Exchange" program is not the same for all provinces. Each franchise store hosts the "One RMB Exchange" program for one week during the promotional period. The following tables set forth breakdowns of (i) the volumes of "Wan Purity" series products sold from our Group to our provincial-dealers and/or franchisees from June to September of 2021, 2022 and 2023 and the average monthly sales volume of "Wan Series" products from our Group to provincial-dealers and/or franchisees for each of the complete financial years during the Track Record Period and during promotion periods (i.e., July to September for 2021 and 2022, June to September for 2023), and (ii) the total monthly revenue derived from all sales from our Group to our provincial dealers and/or franchisees during the same periods and the average monthly sales revenue of "Wan Series" products we derived from provincial-dealers and/or franchisees for each of the complete financial years during the Track Record Period and during promotion periods (i.e., July to September for 2021 and 2022, June to September for 2023).

"Wan Purity" series monthly sales volume (kg) of the sales from our Group to our provincial dealers and/or franchisees and average monthly sales volume throughout the year and during promotional period

	June	July	August	September	Average monthly sales volume during each year	Average monthly sales volume during promotional period
				sales volume in kg		
2021	2,551.6	4,054.4(2)	6,845.6(2)	5,277.3(2)	3,215.0	5,392.4
2022	2,765.6	4,124.3(2)	7,658.5(2)	5,115.5(2)	3,112.6	5,632.8
2023(1) . .	4,173.9(2)	3,587.3(2)	5,667.1(2)	5,086.4(2)	3,450.2	4,628.7

Total monthly sales revenue of all sales by our Group to our provincial-dealers and/or franchisees and average monthly sales revenue throughout the year and during promotional period

	June	July	August	September	Average monthly sales revenue during each year	Average monthly sales revenue during promotional period
				RMB'000		
2021	1,019,425	1,526,785(2)	2,420,309(2)	1,932,253(2)	1,231,053	1,959,782
2022	1,207,434	1,610,814(2)	2,848,977(2)	1,948,270(2)	1,236,357	2,136,020
2023(1) . .	1,837,686(2)	1,691,844(2)	2,552,946(2)	2,344,085(2)	1,576,933	2,106,640

Notes:

(1) Starting in 2023, we held the "One RMB Exchange" promotion in June for our franchisees in Shandong.

(2) Months that the "One RMB Exchange" promotion was held.

During the promotional periods, the sales volume of the "Wan Purity" series products from our Group to our provincial-dealers and/or franchisees increased substantially as demonstrated by the monthly sales data. Specifically, the average monthly sales volume to our provincial-dealers and/

or franchisees increased from 3,215.0 kg, 3,112.6 kg and 3,450.2 kg for the years ended December 31, 2021, 2022 and 2023 to an average of 5,392.4 kg, 5,632.8 kg and 4,628.7 kg during the promotion months for respective years during the Track Record Period.

In addition, the average monthly sales revenue derived from our sales to our provincial-dealers and/or franchisees increased from an average of RMB1,231.1 million, RMB1,236.4 million and RMB1,576.9 million for the years ended December 31, 2021, 2022 and 2023 to an average of RMB1,959.8 million, RMB2,136.0 million and RMB2,106.6 million during the promotion months for respective years during the Track Record Period. We generally record higher revenue and sales volume in August when compared to that in September because (i) we usually hold "One RMB Exchange" program in provinces where we have stronger presence, such as Shandong and Henan, in August, and (ii) "One RMB Exchange" program is held in more stores in August than September. The higher average monthly sales volume and average monthly revenue generated by our Group from the sales to our provincial-dealers and/or franchisees during the "One RMB Exchange" promotion period demonstrated positive market response to our "One RMB Exchange" promotion event, and it also helps garnering customer stickiness towards our brand.

Our "One RMB Exchange" program generally had a positive impact on franchise stores' sale revenue. In 2023, the average monthly sales revenue of franchise stores which adopted CRM system, was RMB2,529.4 million during the "One RMB Exchange" promotion period in 2023, which was 36.5% higher than their average monthly sales of RMB1,852.4 million in 2023.

For further details of the revenue and the gross profit we derived from our franchise network through the "One RMB Exchange" program, please refer to the section headed "Business — Gold Trade-in — Our Revenue and Gross Profit Margin attributable to the "One RMB Exchange" Program".

2. *Average monthly sales revenue and sales volume of our self-operated stores during the "One RMB Exchange" promotion*

During the Track Record Period, we typically held the "One RMB Exchange" promotion for our "Wan Purity" series products for one week in each of our self-operated stores during June and August. The following tables set forth breakdowns of (i) the volumes of "Wan Purity" series products sold by our self-operated stores from June to September of 2021, 2022 and 2023, and (ii) the revenue from all products sold by self-operated stores during the same periods.

"Wan Purity" series monthly sales volume (kg) by our self-operated stores and average monthly sales volume throughout the year and during promotional period

	June	July	August	September	Average monthly sales volume during each year	Average monthly sales volume during promotional period
				sales volume in kg		
2021 . . .	35.2	48.5	197.6(2)	47.4	59.5	197.6
2022 . . .	43.0	55.0	240.2(2)	42.2	61.5	240.2
2023(1) . .	133.5(2)	35.1	131.4(2)	33.5	59.2	132.4

Total monthly sales revenue of all sales by our self-operated stores and average monthly sales revenue throughout the year and during promotional period

	June	July	August	September	Average monthly sales revenue during each year	Average monthly sales revenue during promotional period
				RMB'000		
2021 . . .	18,939	23,859	76,426(2)	23,992	29,679	76,426
2022 . . .	22,776	28,000	95,104(2)	22,460	30,541	95,104
2023(1) . .	68,631(2)	22,686	67,279(2)	23,081	34,351	67,955

Notes:

(1) Starting in 2023, we held the "One RMB Exchange" promotion in June for our self-operated stores in Shandong.

(2) Months that the "One RMB Exchange" promotion was held in our self-operated stores.

Our self-operated stores also benefit from participation in the "One RMB Exchange" promotion for our "Wan Purity" series. The monthly sales volume of "Wan Purity" series products by our self-operated stores increased from an average of 59.5 kg, 61.5 kg and 59.2 kg for the years ended December 31, 2021, 2022 and 2023, to 197.6 kg and 240.2 kg respectively for August 2021 and 2022, being the promotional month, and an average of 132.4 kg during the promotional months in 2023 (i.e. June and August).

In addition, the average monthly sales revenue of all sales in our self-operated stores increased from RMB29.7 million, RMB30.5 million and RMB34.4 million for the years ended December 31, 2021, 2022 and 2023 to RMB76.4 million and RMB95.1 million respectively for August 2021 and 2022, being the promotional month, and an average of RMB68.0 million during the promotional months in 2023 (i.e. June and August). The increases in both sales volume and sales revenue in our self-operated stores during the promotional period reflects that the promotion under our "One RMB Exchange" program was effective in capturing end consumers' attention and boosting our sales. As only products of our brand can be exchanged during the "One RMB Exchange" program, only existing customers of our brand will benefit from the promotion. The increase in sales during the promotional period also reflects that existing customers were incentivized to make repeated purchases from us, thereby fostering customers' stickiness towards our brand. Our "One RMB Exchange" program also had a positive impact on sales of products not under "One RMB Exchange" program by our self-operated stores to end consumers. Such effect can be illustrated in the below.

For the year ended December 31, 2021, 2022 and 2023, our self-operated stores' average monthly sales (excluding gold trade-in transactions) during the "One RMB Exchange" promotion period in August for 2021 and 2022, and in June and August for 2023, was RMB28.7 million, RMB35.4 million and RMB27.7 million per month, respectively, which was approximately 64.2%, 70.4% and 91.4% of their average monthly sales of products under "One RMB Exchange" program of RMB44.7 million, RMB50.2 million and RMB30.3 million. The aforementioned average monthly revenue (excluding gold trade-in transactions) we derived during the "One RMB Exchange" promotional period through sales in our self-operated stores were 40.6%, 57.4% and 11.4% higher than the average monthly sales revenue of our self-operated stores (excluding gold trade-in transactions) of RMB20.4 million, RMB22.5 million and RMB24.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

For further details in relation to the revenue and the gross profit we derived from the "One RMB Exchange" program, please refer to the section headed "Business — Gold Trade-in — Our Revenue and Gross Profit Margin attributable to the "One RMB Exchange" Program".

Internal control measures

We have enhanced our internal control over our "One RMB Exchange" promotion for the "Wan Purity" series products. In particular, we included a new term in our agreements with franchisees specifying our requirement for them to cooperate with us regarding promotional activities, which includes the "One RMB Exchange" for the "Wan Purity" series products. In addition, we have strengthened our internal control by encouraging franchisees to adopt our CRM system to record their sales in relation to the "One RMB Exchange" promotion, which in turn, allows us to systematically and timely review sales data related to the "One RMB Exchange" for the "Wan Purity" series products.

Internal control measures in relation to used gold received through gold trade-in

Throughout the Track Record Period (including the period prior to the implementation of CRM system), proper documentation of used gold received through gold trade-in is required to be maintained in order to monitor and trace gold trade-in transactions. Upon physical delivery of used gold to our Group by provincial-dealers and/or franchisees, designated staff responsible for handling used gold is required to review and record the actual amount of used gold received, then input the relevant data in our internal system and issue a material receive note (來料單) after ascertaining the relevant details. The material receive note sets out information of used gold including the net weight of gold received and its purity level. When provincial-dealers and/or franchisees proceed to settle the consideration partially with used gold, staff responsible for issuing sales settlement statement (結算單) will state in the sales settlement statement the amount of used gold being traded-in and verify the relevant information with the provincial-dealers/franchisees based on the information on the material receive note. Throughout the trade-in process, the details of traded-in gold is verified multiple times by different personnels to ensure accuracy of such information.

Adoption and implementation of the CRM system

We began to adopt the CRM system across our franchise network around June 2022 to monitor the sales performance of our products, gold trade-in activities and inventory levels of our franchise stores. Transaction details of franchisees who adopted the CRM system were recorded on the CRM system since then. Franchisees who adopt the CRM system are required to input details of key sales transactions and gold trade-in activities into the CRM system, including the relevant transactions during the "One RMB Exchange" program. Through our CRM system, we are able to collect data on the sales performance of our distribution channels such as inventory levels, sales volume and sales trends. We have a dedicated sales data analytics team responsible for monitoring the sales and inventory data of our distribution channels. If they notice any irregularities in the sales records and inventory levels of franchisees, they will inquire with the relevant franchisees and follow up with them to ensure compliance with applicable laws and regulations as well as our internal control policies. Our sales data analytics team monitor and conduct analysis on the sale and inventory data of franchise stores with the aid of data analytics tools, whereby such analytics tool will generate reports on inventory structure and inventory turnover for each franchise store on weekly basis and therefore can monitor if there is any abnormalities in the inventory structure of individual franchise stores.

Measures adopted to ensure accuracy of data on the CRM system

In order to ensure accuracy of the data being inputted on the CRM system, we also conduct regular checking through the aid of data analytics system. Our data analytics system generates reports through data analytics tools to keep track of inventory levels and sales performance data of our franchise stores.

On the other hand, we also perform site visits to all franchise stores which have installed the CRM system approximately on a quarterly basis. We have a team of approximately 30 dedicated individuals responsible for site visits to franchise stores. When our staff visit franchise stores, they require franchisees to provide us with their paper-based sales records, including vouchers and receipts, for checking against data being inputted on the CRM system, as well as performing stocktaking exercise in order to ensure the accuracy of inventory data on the CRM system. Our staff responsible for site visits are required to complete a checklist report for every site visit for our internal record keeping. We also maintain a site visit control list to keep track on the progress of site visits to ensure regular checking is performed at each of the franchise stores. In case it is discovered that the data entries on the CRM system cannot be reconciled with that of the paper-based sales records at the franchise stores, or if it is discovered that there is any non-compliance with the CRM system operation guidelines and/or relevant internal control policies by franchisees, we may consider to impose restrictions over the sales activities and/or services provided to the franchise stores depending on the level of non-compliance, such as restrict them from borrowing gold from us. Based on the terms of the standard franchise agreement we enter into with our provincial-dealers and/or franchisees, our provincial-dealers and/or franchisees are under the obligation to reply to our enquiry letters and cooperate with us in reconciliating their inventory levels and sales performance data.

With detailed transaction records in respect of sales and gold-trade-in activities recorded on the CRM system, we will be able to track and monitor in real-time the relevant sales data and adopt appropriate measures in a timely manner to mitigate risk of improper market conduct, including channel stuffing, by provincial-dealers and/or franchisees. This helps us ensure due compliance with our control policies across our distribution network. Since the adoption of the CRM system in June 2022 and up to the Latest Practicable Date, we have not identified any material irregular sales and/or gold-trade-in activities within our franchise network.

Internal control measures in relation to franchisees who do not install the CRM system

As of June 30, 2024, 2,653 franchise stores operated by 1,550 franchisees, accounting for approximately 92.8% of all our franchisees, have installed and were using our CRM system to record sales from gold trade-in. The revenue contribution for the year ended December 31, 2023 and the six months ended June 30, 2024 of franchisees who conducted gold trade-in with us directly and have yet to adopt the CRM system as of June 30, 2024 amounted to RMB623.8 million and RMB220.5 million, respectively, representing 3.1% and 2.2% of our total revenue for respective year/period. We do not intend to require mandatory installation of the CRM system by all franchisees as (i) some franchisees already have their own sales system and the administrative work involved and costs of replacing their original sales system with the CRM system may be significant due to system compatibility issue and (ii) it may not be cost-efficient for certain smaller-scaled franchisees to adopt the system given the size of their operation.

To monitor used gold received from franchisees who have not installed the CRM system, our staff will inspect and verify the relevant information of the actual used gold received. When franchisees which did not adopt the CRM system conduct gold trade-in with our Company, our staff will manually examine and record the details of used gold received to ensure authenticity of such used gold. Details of the relevant used gold will be recorded on our internal system. Accordingly, we may monitor the frequency and volume of used gold traded-in by franchisees based on the record in our internal system.

On the other hand, our site visits to franchise stores also cover those operated by franchisees who have not installed the CRM system. When our staff visits such franchise stores, we will inspect their sales record and inventory to see if there is any abnormalities. Where if such franchisees have adopted their own retail system instead of the CRM system, we may also require such franchisees to produce records in relation to its sales, gold trade-in transactions and inventory.

We believe that the inclusion of such terms enhances our internal control by clearly informing our franchisees and formally documenting the requirement for our franchisees to participate in and support our promotional activities, including the "One RMB Exchange" for the "Wan Purity" series products. Through the inclusion of such terms, franchisees have thus also agreed to closely follow and be engaged in our promotional activities, and it provides a solid basis for us to enforce our rights to require franchisees to support our promotional activities, particularly the "One RMB Exchange" for the "Wan Purity" series products.

(2) Discrepancy in inventory data in the A-share Application materials

During the vetting process of the previous A-share Application, the CSRC also identified inconsistent disclosures regarding inventory-related data.

The differences were mainly due to inconsistent classification and calculations, including (i) K-Gold jewellery being included in a disclosure of inventory balance but excluded in another disclosure of inventory; (ii) consigned processing materials being included in one disclosure of inventory balance for gold raw materials but not in another inventory balance disclosure; and (iii) applying the book value of K-Gold materials for one inventory balance disclosure, while K-Gold value was converted to gold value (applying the conversion formula of 75.5%) in another inventory balance disclosure. Such discrepant disclosures were made for different illustrative purposes but without sufficient clarification of the differences. Due to the aforementioned discrepancies, there were inconsistencies when calculating the breakdown of gold raw materials and the unit price of gold raw materials.

Examples of the discrepancy aforementioned:

1. in a table to calculate inventory turnover days, we included consigned processing materials in our inventory tally, while in our classification of inventory table, consigned processing materials were not included in the inventory tally, which in turn led to different inventory calculations for the two tables.

2. in a chart we applied to calculate and illustrate inventory turnover days, we applied the book value of K-Gold when tallying the inventory, while in a table to illustrate inventory movement due to procurement and consumption, K-Gold value was converted to gold value applying the conversion formula of 75.5%, which ultimately led to different inventory calculations for the chart and the table.

We inquired into the factors that led to differences in interpretation when calculating inventory balances, including discussions with relevant personnel on the reasons for a particular method of inventory tallying and the presentation of such tallies and reconciling the differences. We then checked whether details of the items included in a specific tally were clearly stated. Additionally, we have appointed a dedicated person to supervise and ensure the quality of our inventory-related data. Our Directors came to a conclusion that the discrepancies were mainly due to interpretation differences without sufficient clarification on the relevant disclosures at the time the materials were submitted in the A-share Application. Our internal control consultant conducted a review of the internal control measures on inventory management, including management of inventory inflow and outflow, inventory counting and reconciliation, and analysis and management of inventory safety. No material defects were identified in these internal control procedures. Considering the foregoing and based on the independent due diligence work performed by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor that would cause them to disagree with the Directors' aforementioned conclusion.

Our Group has since conducted thorough examination on the inconsistent classification of inventory line items and carefully checked line items which may potentially cause interpretation differences and confirmed that there are no such interpretation differences for the current [REDACTED] [REDACTED] Application, and therefore this issue has been resolved or addressed to the current [REDACTED] [REDACTED] application.

Our Reporting Accountants have audited our historical financial information for the Track Record Period and expect to issue an unqualified opinion on the Historical Financial Information of the Group for the Track Record Period as a whole as detailed in Appendix I to this document.

On the basis that (i) we have conducted thorough internal examination on the accounting classification of inventory and confirmed that the previous calculation discrepancies no longer apply, and (ii) the Reporting Accountants expect to issue an unqualified opinion on the Historical Financial Information of the Group for the Track Record Period as a whole, we believe concerns with regard to previous discrepancies have been satisfactorily addressed in the current [REDACTED] [REDACTED] application. Considering the foregoing and based on the independent due diligence work performed by the Sole Sponsor, the Sole Sponsor concurs with the Company's view that concerns with regard to previous discrepancies have been satisfactorily addressed in the current [REDACTED] [REDACTED] application. Our Directors further confirm, and the Sole Sponsor concurs, that there has been no inconsistency in the inventory data disclosed in this document.

(3) CSRC's concerns in relation to inventory level issues

During the previous A-share Application, the CSRC expressed concerns about the slower inventory turnover rates of our franchise stores compared to our overall inventory turnover rates.

Our Directors are of the view, and the Sole Sponsor concurred, that CSRC's concerns regarding inventory levels during the previous A-share Application have been addressed as such difference in inventory turnover days between our franchise stores and our Group primarily stems from the difference in business models.

We profit from the manufacture and sales of gold jewellery, primarily in the form of crafting fees. According to Frost & Sullivan, such a business model typically experiences high turnover rates. We engage in wholesale transactions with provincial-dealers and franchisees, which typically involves larger transaction volumes and faster turnover of inventory. Consequently, the product lifecycle for our gold jewellery is shorter, leading to high inventory turnover rates. On the other hand, our franchisees operate under a retail sales model, often holding large stock levels to display at stores and to accommodate the extensive and varied needs of end consumers, which contributes to a lower turnover rate.

Accordingly, the lower inventory turnover rate of our franchise stores compared with ours does not indicate channel stuffing or premature sales/revenue adjustments through franchise stores but merely reflects the differences in the business models between franchise stores and us.

Based on the disclosure in our A-share Application materials, the inventory turnover rate of the Company for the years ended December 31, 2018, 2019 and 2020 amounted to 8.67, 7.96 and 5.96, respectively (which were equivalent to inventory turnover days of 42.1 days, 45.9 days and 61.4 days, respectively); whereby the inventory turnover rates of our franchise stores for the sales of gold jewellery and other gold products were 2.09, 2.09 and 1.40[*(Note)*] for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020 (which were equivalent to inventory turnover days of 174.6 days, 174.6 days and 195.7 days, respectively).

Note: The information related to inventory turnover rates of our franchise stores, as disclosed in our A-share Application materials, were obtained by separate inquiries with the relevant franchisees stores on a sampling basis.

The following table sets forth the inventory turnover days among our Group, our wholesale business and our self-operated stores and the range of inventory turnover days of our industry peers, during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(days)	*(days)*	*(days)*	*(days)*
Our Group	42.7	45.6	36.8	40.8
Our wholesale business *(Note 3)*	39.8	37.6	29.8	38.8
Industry peers at Group level *(Note 2)*	28.6–223.9	21.1–282.9	28.1–241.7	21.6–271.9
Our self-operated stores	172.0	215.5	236.0	261.0
Our Franchisees (which adopted the CRM system) *(Note 1)*	N/A	N/A	211.6	337.1
Stores of industry peers *(Note 2)*	45.0–205.0	50.0–215.0	55.0–230.0	65.0–350.0

Note 1: We began to roll out the CRM system across our franchise network in June 2022 to record the sales and inventory levels of our franchisees. As the CRM system was not adopted for the full year in 2022, tally of inventory turnover days of gold products of franchisees (which adopted the CRM system) in 2021 and 2022 may not be comparable. Thus, only the relevant turnover days for the year ended December 31, 2023 and for the six months ended June 30, 2024 are disclosed.

Note 2: According to Frost & Sullivan.

Note 3: Includes our sales to provincial-dealers and relevant franchisees under the wholesale model, but does not include our inventory for sales to platforms under the e-commerce sales model as such inventory was managed together with the inventory sold through our self-operated online stores which we operate under the retail model.

During the Track Record Period, our Group's inventory turnover days ranged from 36.8 days to 45.6 days. Our inventory turnover days generally fell within the range of our peer companies. At the same time, the higher end of the range of our peer companies' inventory turnover days was much higher than ours. This discrepancy is mainly because our Group primarily engages in wholesale distribution of gold jewellery, which typically involves larger transaction volumes and faster turnover of inventory. In contrast, certain of our industry peers primarily operate on the retail side, which often entails slower inventory turnover due to the need to maintain higher levels of inventory for consumer selection.

For the three years ended December 31, 2023, our self-operated stores' inventory turnover days ranged from 172.0 days to 236.0 days. The inventory turnover days at our self-operated stores for the three years ended December 31, 2023 were closer to the high-end but generally within the aforementioned range and comparable to those of our industry peers' stores. For the six months ended June 30, 2024, our self-operated stores recorded an increase in inventory turnover days as a result of decline in consumption sentiment of gold products. According to Frost & Sullivan, the consumption volume of gold products in terms of weight for the six months ended June 30, 2024 decreased by 26.7% when compared to the corresponding period in 2023. Accordingly, the sales of gold products slowed down in the first half of 2024, leading to an increase in inventory turnover days at our self-operated stores. According to Frost & Sullivan, at the same time, the low-end of our peer companies' inventory turnover days for the three years ended December 31, 2023 was much lower than ours, mainly because one competitor has larger proportion of revenue generated from sales of gold bullions, which are standard products and usually involves larger transaction volumes and faster turnover. In contrast, sales of gold bullions is not our primary business activity, and thus the inventory turnover days at our self-operated stores were closer to the high-end of the inventory turnover days of our peer stores.

The inventory turnover days of gold products of our franchisees (which adopted the CRM system) for 2023 was 211.6 days, which is generally within the range of our industry peers' stores' inventory turnover days and in line with the inventory turnover days of our self-operated stores for the same period of 236.0 days. For the six months ended June 30, 2024, based on information available on the CRM system, the inventory turnover days of our franchisees increased to 337.1 days. Such increase was primarily attributable to the decline in consumption sentiments of gold products. For further discussion on the fluctuations in inventory turnover days of our self-operated stores and franchisees, please refer to the section headed "Business — Management of franchisees — Measures to avoid channel stuffing and cannibalization".

Our Directors further confirmed that there is no other material matter in relation to our previous A-Share Application that needs to be brought to the attention of the Stock Exchange or our [REDACTED].

The Second A-Share Application

In December 2022, we engaged CITIC Securities Co., Ltd (中信證券有限公司) as our sponsor for our second A-share application ("**Second A-share Application**") taking into account of its market reputation as a leading investment bank in the PRC, experience in similar listing transactions for companies in similar industry and overall-competitiveness. Nonetheless, to have greater access to diverse and global investors and to gain more international recognition, we did not submit our Second A-share Application and decided to pursue [REDACTED] [REDACTED]. We were referred to CITIC Securities (Hong Kong) Limited by CITIC Securities Co., Ltd. and engaged CITIC Securities (Hong Kong) Limited as our Sole Sponsor to the [REDACTED] [REDACTED] in June 2023. We then terminated our engagement with CITIC Securities Co., Ltd as our sponsor for Second A-share Application in September 2023. Our Directors confirmed that there is no disagreement between the Company and Zhongtai Securities Co., Ltd. and CITIC Securities Co., Ltd., the two former sponsors in previous listing applications. Considering the foregoing and based on the independent due diligence work performed by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor which indicated that there were any disagreements between the Company and the outgoing professional parties, including previous sponsors, engaged by the Company in relation to the A-share Application and Second A-share Application.

Our Directors confirmed that based on the publicly available information, none of the professional parties engaged by the Company in relation to the A-share Application and Second A-share Application had been/are subject to any investigation by the relevant regulatory authorities in the PRC in relation to the A-share Application and the Second A-share Application. Our Directors further confirmed, and the Sole Sponsor concurred, that there is no other significant matter in relation to the A-share Application and Second A-share Application that needs to be brought to the attention of the Stock Exchange or [REDACTED].

[REDACTED]

Overview

[REDACTED]	Date of agreement	Number of Shares subscribed/acquired	Consideration	Date of completion on which the consideration was fully settled	Number of Shares as of the Latest Practicable Date	Approximate average cost per Share	Interest held in our Company immediately before completion of the [REDACTED]	Interest held in our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate discount/ (premium) to the [REDACTED] (midpoint) (1)(2)
Ms. Huang Yi(3)	March 20, 2018	5,000,000	RMB50,000,000	May 23, 2022	3,500,000	RMB8.72	1.53%	[REDACTED]	[REDACTED]
Tianjin Haikai Xinchuang	March 20, 2018	10,000,000	RMB100,000,000	March 28, 2018	10,000,000	RMB10.00	4.37%	[REDACTED]	[REDACTED]
Ms. Zhang Yizhen	January 26, 2022 March 5, 2022	800,000 1,500,000	RMB10,376,000 RMB19,470,000	February 16, 2022 January 27, 2022	2,300,000	RMB12.98	1.00%	[REDACTED]	[REDACTED]
Mr. Zhang Jianjun	January 26, 2022	340,000	RMB4,409,800	February 14, 2022	340,000	RMB12.97	0.15%	[REDACTED]	[REDACTED]
Mr. Zhao Duxue	May 20, 2022	4,000,000	RMB51,520,000	May 23, 2022	4,000,000	RMB12.88	1.75%	[REDACTED]	[REDACTED]
CITIC Securities Investment	August 15, 2022	4,166,666	RMB49,992,992	August 26, 2022	4,166,666	RMB12.00	1.82%	[REDACTED]	[REDACTED]

Notes:

(1) The [REDACTED] is calculated based on the exchange rate of RMB1.00 to HK$1.10, and assuming the [REDACTED] is fixed at HK$[REDACTED], being the mid-point of the indicative [REDACTED].

(2) Consideration represents the amount paid by each [REDACTED] for their subscription or acquisition of Shares at relevant time. The discount/(premium) to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK$[REDACTED] to HK$[REDACTED]). The foregoing price range has taken various factors including the recent market condition, liquidity premium after the [REDACTED], valuation level of the [REDACTED] comparable peers, the current business scale of our Group and future profitability of our Group, into account.

(3) Ms. Huang Yi transferred her 1,500,000 Shares to Ms. Zhang Yizhen at a consideration of RMB19,470,000 on March 5, 2022. Thus, her total investment amount in our Company was RMB30,530,000. As of the Latest Practicable Date, Ms. Huang Yi held 3,500,000 Shares in our Company.

The table below sets forth the other details of the [REDACTED]:

Reasons and benefits	At the time of each [REDACTED], our Directors were of the view that our Company would benefit from: ● the additional capital to fund our business development and supplement our Company's working capital; ● the insights for industry, advice on business expansion or strategic direction that the [REDACTED] may bring to our Company; ● the network and experience of the [REDACTED] in capital market which may facilitate our Company's future financing; and ● the [REDACTED] investments demonstrating their confidence and recognition in our business, strengths and prospects, which may attract further investments in our Company.
Basis for determination of consideration	The considerations for the [REDACTED] received by us were determined after arm's length negotiations between our Company and the relevant [REDACTED] with reference to the then net asset value of our Company.
[REDACTED] from the [REDACTED]	All [REDACTED] from the [REDACTED] are used for business expansion and operation, including expenses for new construction and expansion of production bases, R&D of advanced technology and daily operation. As of the Latest Practicable Date, the [REDACTED] from the [REDACTED] had been fully utilized.
[REDACTED] Period	In accordance with the applicable PRC laws, the [REDACTED] are not allowed to sell any of their Shares within 12 months after the [REDACTED].

Special Rights granted to our [REDACTED]

Mr. Zhao Duxue (趙篤學), Ms. Huang Yi (黃怡), Ms. Zhang Yizhen (張義貞), Mr. Zhang Jianjun (張建軍) (collectively, "**Individual [REDACTED]**" and each an "**Individual [REDACTED]**") and Tianjin Haikai Xinchuang were granted certain special rights, including without limitation, rights to require redemption of the Shares by Mr. Wang Zhongshan and Ms. Zhang Xiuqin (the "**CP Redemption Rights**"), information rights, rights to appoint observer, rights of first refusal, restrictions on sale, and drag-along rights (the "**Special Rights I**"), all of which have been terminated before our first submission of application for the [REDACTED] ("**First A1 Submission**"). In the event that: (i) our Company abandons or terminates our [REDACTED]; (ii) the Stock Exchange does not accept our [REDACTED]; (iii) our Company withdraws our [REDACTED]; or (iv) our [REDACTED] is rejected or returned by the Stock Exchange (the "**Reinstatement Events I**"), the CP Redemption Rights shall reinstate.

CITIC Securities Investment was granted certain special rights, including without limitation, rights to require redemption of the Shares by Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na (the "**Wang Family**") or any third party designated by the Wang Family with the written consent of CITIC Securities Investment (the "**Family Redemption Rights**") information rights, rights of first refusal, restrictions on sale, co-sale rights, drag-along rights, inspection rights, rights of most favored treatment and rights to inspect or freeze the accounts of our Company and/or the Wang Family opened with CITIC Securities Investment or its affiliates (the "**Special Rights II**", together with the Special Rights I are collectively referred to as the "**Special Rights**"). Save for the Family Redemption Rights, which have been terminated before our First A1 Submission, all the other Special Rights II will be terminated upon [REDACTED]. In the event that: (i) our Company abandons or terminates our [REDACTED]; (ii) the Stock Exchange does not accept our [REDACTED]; (iii) our Company withdraws our [REDACTED]; (iv) our [REDACTED] is rejected or returned by the Stock Exchange; (v) the Stock Exchange terminates review of our [REDACTED]; or (vi) our Company fails to complete our [REDACTED] on or before December 31, 2024 (the "**Reinstatement Events II**"), all the Special Rights II shall reinstate.

Information of [REDACTED]

To the best of our knowledge, information and belief and having made all reasonable enquiries, all the [REDACTED] are Independent Third Parties. The following table sets forth the information of the [REDACTED]:

Name of [REDACTED]	Information of our [REDACTED]
Tianjin Haikai Xinchuang	Tianjin Haikai Xinchuang Industrial Development Co., Ltd.* (天津海開信創產業發展有限公司) (formerly known as Tianjin City Tanggu Economic Development Zone Industrial Development Company* 天津市塘沽經濟開發區工業投資公司) is a limited liability company incorporated under the laws of the PRC. Its principal businesses include park management, entrepreneurial space management and enterprise management. According to publicly available information, Tianjin Haikai Xinchuang is solely owned by Tianjin Haitai Capital Investment Management Co., Ltd. (天津海泰資本投資管理有限公司), which is solely owned by Tianjin Haitai Group Co., Ltd.* (天津海泰控股集團股份有限公司) ("**Tianjin Haitai Group**"). Tianjin Haitai Group is owned as to approximately 91% by the management committee of Tianjin Binhai High-tech Industrial Development Zone (天津濱海高新技術產業開發區管委會).
CITIC Securities Investment . .	CITIC Securities Investment Limited* (中信証券投資有限公司) is a limited liability company incorporated under the laws of the PRC and is a wholly-owned subsidiary of CITIC Securities Company Limited (中信証券股份有限公司), being a company listed on the Stock Exchange (Stock Code: 6030) and a company listed on the Shanghai Stock Exchange (Stock Code: 600030). Its principal businesses include financial product investment, securities investment and equity investment.

Name of [REDACTED]	Information of our [REDACTED]
	CITIC Securities Investment and the Sole Sponsor, CITIC Securities (Hong Kong) Limited, are both wholly-owned subsidiaries of CITIC Securities Company Limited, and are members of a sponsor group as defined under the Listing Rules.
Mr. Zhao Duxue (趙篤學)	Mr. Zhao Duxue is a businessman. He was the former chairman of Shandong Mining Machinery Group Co., Ltd. (山東礦機集團股份有限公司) ("**Shandong Mining**"), a company listed on the Shenzhen Stock Exchange (stock code: 002526). As of June 30, 2024, Mr. Zhao Duxue was the de facto controller of and held 20.79% of the issued shares of Shandong Mining. He was introduced to our Group by our executive Director, Mr. Wang Zegang while he worked in Shandong Mining previously.
Ms. Huang Yi (黃怡)	Ms. Huang Yi is a famous actress in the PRC who graduated from the performance department in the Beijing Film Academy. She became acquainted with our Company as she was our Company's corporate image spokesperson from 2013 to 2020.
Ms. Zhang Yizhen (張義貞) . .	Ms. Zhang Yizhen is an accountant. She was the former director and chief financial officer of Shandong Mining. As of June 30, 2024, Ms. Zhang Yizhen held 0.89% of the issued shares of Shandong Mining. She was introduced to our Group by our executive Director, Mr. Wang Zegang while he worked in Shandong Mining previously.
Mr. Zhang Jianjun (張建軍) . .	Mr. Zhang Jianjun is an engineer. He was a former director of Shandong Mining. He was introduced to our Group by our executive Director, Mr. Wang Zegang while he worked in Shandong Mining previously.

Compliance with the Guide for New Listing Applicants

On the basis that (i) the consideration for each of the [REDACTED] was settled at least 28 clear days prior to the date of the Company's submission, and (ii) the Special Rights and undertakings granted under the shareholders' agreement to the [REDACTED] will be terminated or otherwise fulfilled upon [REDACTED], the Sole Sponsor confirmed that the [REDACTED] are in compliance with requirements set out in chapter 4.2 of the Guide For New Listing Applicants.

MAJOR ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

COMPLIANCE WITH LAWS AND REGULATIONS

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, the establishment of our Company and transfers of equity interests and changes in registered capital (where applicable) have been properly and legally completed in compliance with the applicable laws and regulations.

As advised by our PRC Legal Advisor, our Company has obtained relevant approvals or confirmation and has registered or filed with the relevant competent authorities (where applicable) in accordance with the relevant laws and regulations in respect of its establishment and subsequent transfers of equity interests, including the [REDACTED] as referred to above, and changes in registered capital (where applicable) up to the Latest Practicable Date, and the establishment of our Company and subsequent transfers of equity interests and changes in registered capital (where applicable) up to the Latest Practicable Date are effective and legally binding.

FULL CIRCULATION

Our Company has applied for [REDACTED] full circulation to convert certain of the [REDACTED] into [REDACTED] as per the instructions of the relevant Shareholders. The conversion of [REDACTED] into [REDACTED] will involve an aggregate of [REDACTED] [REDACTED] held by six existing Shareholders (i.e. [REDACTED] [REDACTED] being held by Mr. Zhao Duxue (趙篤學), [REDACTED] [REDACTED] being held by Ms. Huang Yi (黃怡), [REDACTED] [REDACTED] being held by Ms. Zhang Yizhen (張義貞), [REDACTED] [REDACTED] being held by Mr. Zhang Jianjun (張建軍), [REDACTED] [REDACTED] being held by Tianjin Haikai Xinchuang and [REDACTED] [REDACTED] being held by CITIC Securities Investment), representing approximately [REDACTED] of total issued Share capital of the Company upon the completion of the conversion of [REDACTED] into [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).

Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their [REDACTED]. See "Share Capital" for further details.

[REDACTED]

Given that (i) the shareholding of each of Mr. Zhao Duxue (趙篤學), Ms. Huang Yi (黃怡), Ms. Zhang Yizhen (張義貞), Mr. Zhang Jianjun (張建軍), Tianjin Haikai Xinchuang, and CITIC Securities Investment (collectively, the "**Full Circulation [REDACTED]**") in our Company upon the completion of the [REDACTED] is less than 10%; (ii) each of the Full Circulation [REDACTED] is solely financial investor in our Group; (iii) each of the Full Circulation [REDACTED] is Independent Third Party; and (iv) none of the Full Circulation [REDACTED] are core connected person as defined under the Listing Rules and none of the Full Circulation [REDACTED] fall within any category under Rule 8.24 of the Listing Rules, the Shares held by the Full Circulation [REDACTED] will be counted as part of the [REDACTED] of our Company upon the completion of the [REDACTED].

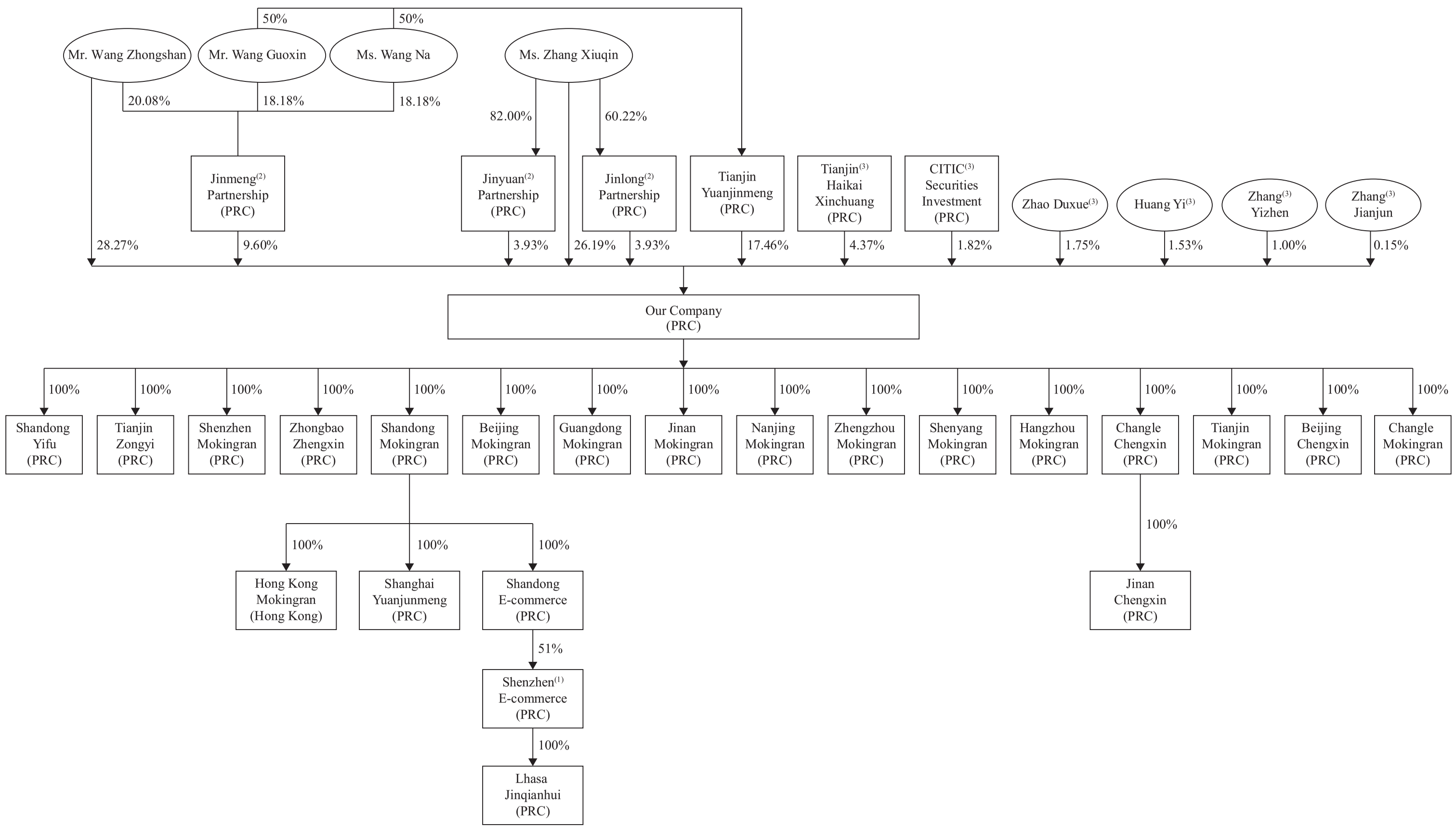
The aggregate of [REDACTED] Shares held by Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng (collectively, the "**[REDACTED] Shareholders**"), representing approximately [REDACTED]% of our total issued Shares upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), or approximately [REDACTED]% of our total issued Shares upon exercise of the [REDACTED] in full, will not be considered as part of the [REDACTED] as the Shares they hold are [REDACTED] which will not be converted into [REDACTED] and [REDACTED] following the completion of the [REDACTED].

Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all [REDACTED] are not allowed to dispose of any of the Shares held by them.

Immediately upon the completion of the [REDACTED] and conversion of [REDACTED] into [REDACTED] (assuming the [REDACTED] is not exercised), assuming [REDACTED] [REDACTED] are issued to the public Shareholders in the [REDACTED] and [REDACTED] [REDACTED] held by the Full Circulation [REDACTED] will be converted into [REDACTED], an aggregate of [REDACTED] [REDACTED] representing approximately [REDACTED]% of our total issued Shares will be counted towards the [REDACTED], which is in compliance with the requirement under Rule 8.08 of the Listing Rules.

OUR CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE

The following chart sets out our shareholding structure immediately before the completion of the [REDACTED]:



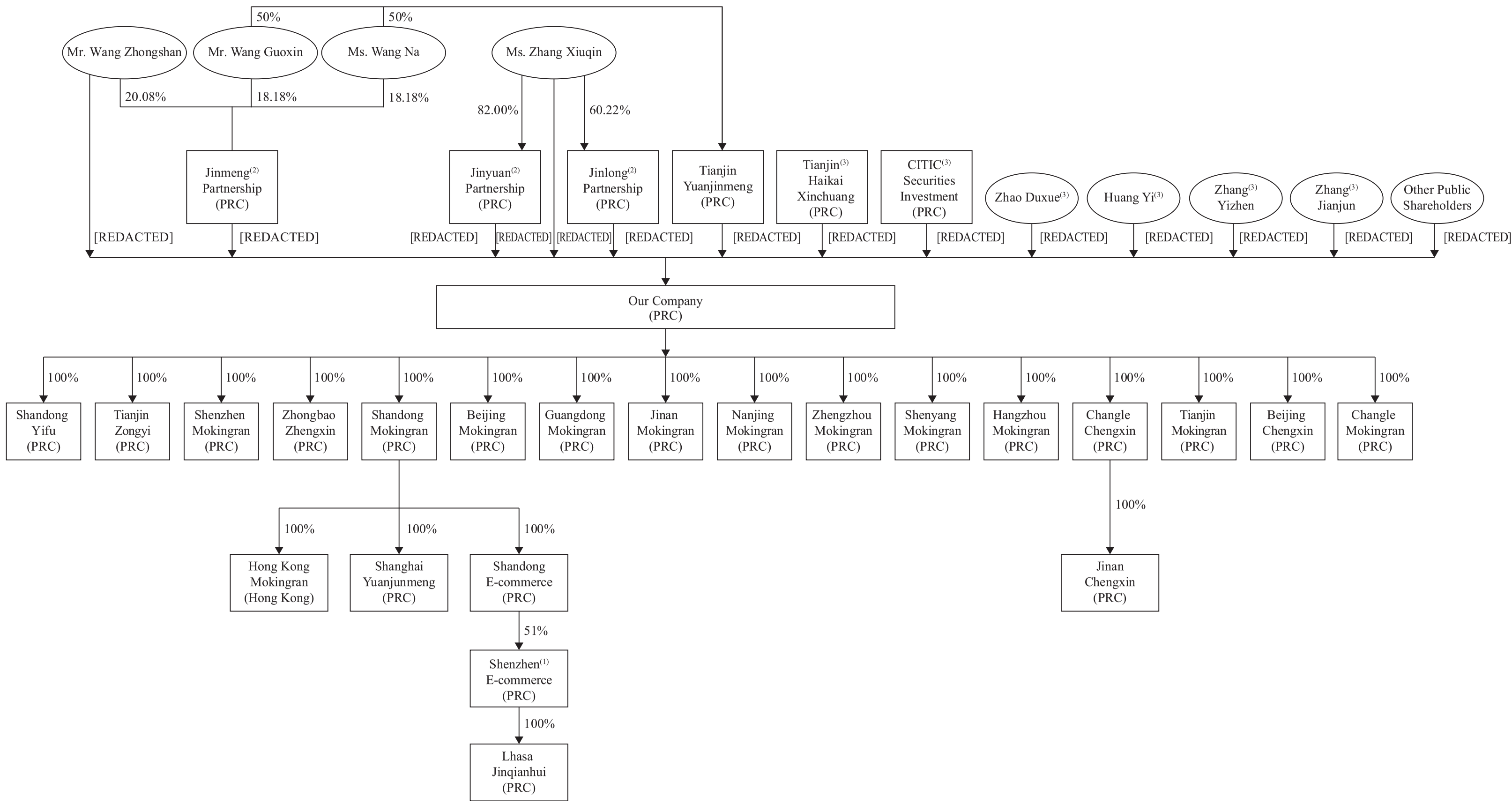
Notes:

(1) Shenzhen E-commerce is owned 51% by Shandong E-commerce and 49% by Shenzhen City Gold Chief Executive Technology Culture Co., Ltd.* (深圳市金總裁科技文化有限公司), an Independent Third Party.

(2) Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership are our Employee Shareholding Platforms. See " — Our Employee Shareholding Platforms'' above for details.

(3) Tianjin Haikai Xinchuang, CITIC Securities Investment, Zhao Duxue (趙篤學), Huang Yi (黃怡), Zhang Yizhen (張義貞) and Zhang Jianjun (張建軍) are our [REDACTED].

The following chart sets out our shareholding structure immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



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OVERVIEW

We are a gold jewellery Original Brand Manufacturer ("**OBM**"), focusing on markets in third and lower-tier cities in the PRC. According to Frost & Sullivan, as of the Latest Practicable Date, we were one of the very few with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network. In 2023, we were ranked:

- third and fifth by gold processing volume and gold jewellery revenue, respectively, amongst gold jewellery brands in the PRC[(1)]; and
- third in terms of gold jewellery revenue (excluding gold bullion) in third and lower tier cities amongst gold jewellery brands in the PRC[(2)].

Moreover, from 2018 to 2023, we were the only gold jewellery brand in the PRC that had consecutively ranked in the top five of both the "Top Ten Enterprises in Gold Jewellery Processing Volume" and the "Top Ten Enterprises in Gold Jewellery Sales Revenue" by the China Gold Association. With high-purity gold jewellery as our core products, high-growth third and lower tier cities as our market entry points, and leveraging our technical know-how, artisan craftsmanship and advanced production capability, we have built a well-recognized domestic gold jewellery brand, "**梦金园**".

We were one of the very few major gold jewellery brands in the PRC with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network, as of the Latest Practicable Date, according to Frost & Sullivan. With high-purity gold jewellery products as our core products, we have established a diversified sales network, through which we gain insight into market trends, which in turn contributes to product design and development catering to specific consumer demands, forming a positive feedback loop. Under the leadership of our founder, Mr. Wang Zhongshan, whose accolades include being named as the inheritor of PRC's intangible cultural heritage at provincial level (中國省級非物質文化遺產傳承人), honorable person in the gold and jewellery industry for 30 years (黃金珠寶行業30年風雲人物"功勛人物"稱號), and "Outstanding Contributor to the Jewellery Industry on the 40th Anniversary of the Reform and Opening up" (中國改革開放40周年珠寶行業突出貢獻人物), our operation covers key stages of gold jewellery value chain.

Notes:

(1) According to Frost & Sullivan.

(2) According to Frost & Sullivan.

We believe our growth was achieved through leveraging our ability to deliver gold jewellery with sophisticated craftsmanship that highly resonates with our target consumers. Chinese consumers attach great importance to the quality, design and cultural connotation of jewellery products. Thus, a gold jewellery company's ability to decipher market trends and launch new products is essential to its growth. Throughout the Track Record Period, we introduced no less than 1,000 new Stock Product Units ("**SPUs**") on a monthly basis, which was higher than the monthly average of approximately 500 SPUs of our competitors according to Frost & Sullivan. In addition to our in-house designed products, we also collaborated with well intellectual property owners ("**IPs**") including Eight Imperial Handcrafts (燕京八絕), a national intangible cultural heritage and a well-recognized beverage brand to introduce new products. As the gold jewellery market evolves, consumers have more diversified consumption needs and preferences, and would demand products that allow them to express their individuality. Our ability to capture market opportunities arising therefrom promptly and to effectively introduce recent trending products to the market enables us to revamp our product offerings in accordance with market preferences swiftly.

Our operation is enhanced by our past success and continued effort to introduce and/or revamp production equipment that is crucial to our gold jewellery production. We introduced/revamped advanced equipment to enhance our automated process, including robotic arms for accessories flipping (首飾抓取自動翻轉機械手), automated carving machines (自動刻花機), automatic butterfly chain punching machines (自動蝴蝶鏈機), automatic thin wall gold tube necking machine (薄壁金管自動縮口機), and chain loosening machines (鬆鏈機). We also adopted high-precision wax film pouring technique (高精度蠟膜澆) and 3D printing techniques in our production line. This enabled us to carve high precision mold of various forms within hours that otherwise would require days (or longer) to complete when applying the traditional method. Since 2020, we have self-developed approximately 300 production equipment and approximately 3,200 molds. We believe our ability to self-develop advanced production equipment and molds has strengthened our operation and has fortified our position as a leading high-purity gold jewellery OBM.

As a precious metal, gold is frequently valued based on its purity, and gold-purifying capability is essential to gold jewellery manufacturer, according to Frost & Sullivan. Our gold purifying capability allowed us to become a key player in the 999.9 high-purity gold jewellery market. According to Frost & Sullivan, we were ranked first in the 999.9 high-purity gold jewellery market in terms of gold jewellery revenue in 2023 and were amongst the first batch of gold jewellery manufacturers to mass produce 999.9 high-purity gold jewellery with digitalized production. Furthermore, according to Frost & Sullivan, in 2019, we became the first and one of the very few domestic enterprises with scaled production of 18K-gold spring clasps. Our success in navigating the challenges of producing such products effectively alleviated the industry's over-reliance on foreign manufacturers for the 18K-gold spring clasps. Moreover, as the gold jewellery market expands, the demand for gold spring clasps, which are applied to join two ends of a relevant jewellery products, is also projected to grow at a CAGR of 7.8% between 2023 and 2028 according to Frost & Sullivan. Our groundbreaking achievements in this realm well position us to benefit from the aforementioned market expansion.

Our ability to consistently introduce quality products that are well-accepted by consumers helped us build a diversified sales network. Our multi-channel sales network includes 2,850 franchise stores operated by 1,670 franchisees, 36 self-operated stores, seven self-operated direct service centers and 17 provincial-dealers located in more than 1,400 county-level areas in over 250 across multiple provinces and municipalities in the PRC, as of June 30, 2024. While we primarily rely on offline sales channels that include our self-operated stores and franchise stores, to capture the opportunities presented by fast-growing online channels, we have also expanded our online sales through e-commerce platforms such as Tmall, JD.com, PinDuoDuo and Vipshop.

Our accomplishment can be demonstrated in the awards we received over the years. Our recent main accolades include being awarded the 2023 China Gold and Jewellery Industry Excellent Full Supply Chain Service Provider (2023中國黃金珠寶行業全產業鏈優秀服務商) and 2023 China Gold and Jewellery Consumer Survey Recommended National Chain Store Brands (中國黃金珠寶消費者調查全國連鎖推薦品牌) by Beijing Gold Economic Development and Research Center and China Gold News. See "— Awards and Recognition" below for further details.

As a gold jewellery brand in the PRC with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network, we are well-positioned in the market to benefit from the rapid growth of the gold jewellery market.

OUR COMPETITIVE STRENGTHS

We are a gold jewellery OBM in the PRC, encompassing key stages of the gold jewellery industry

We are a gold jewellery OBM, focusing on markets in third and lower-tier cities in the PRC. According to Frost & Sullivan, as of the Latest Practicable Date, we were one of the very few with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network. Our brand embodies an operation that covers the aforementioned key stages of the gold jewellery industry value chain. We are committed to quality control in each stage. According to Frost & Sullivan, from 2018 to 2023, we were the only gold jewellery brand in the PRC that had been consecutively ranked in the top five of both the "Top Ten Enterprises in Gold Jewellery Processing Volume" and the "Top Ten Enterprises in Gold Jewellery Sales Revenue" by the China Gold Association and in 2023, we were ranked:

- third and fifth by gold processing volume and gold jewellery revenue, respectively, amongst gold jewellery brands in the PRC; and
- third in terms of gold jewellery (excluding gold bullion) revenue in third and lower tier cities amongst gold jewellery brands in the PRC.

Since our inception, we have been committed to nurturing and strengthening an integrated operation that encompasses key stages of the gold jewellery industry, journeying through raw material sourcing and purification, manufacturing and retailing through our diversified sales network. We are committed to quality control in each stage. Such commitment has fortified our strengths, which can be demonstrated in the following:

- In terms of R&D, we made substantial investments. As of the Latest Practicable Date, we held 601 patents in the PRC. According to Frost & Sullivan, such result far exceeded that of the industry average. Our commitment to R&D supported our groundbreaking achievements in gold purification, breaking reliance on overseas imports on 18K-gold spring clasps, success in machinery development and jewellery design. For details, see "— Research and Development". We also implement strict control over our product design and machinery development processes to mitigate the risk of intellectual property infringement and reduce the likelihood of unauthorized replication or imitation by competitors, thus preserving our distinctiveness and market position.

- In production, during the Track Record Period, we produced substantially all of our products in-house, such proportion has far exceeded the self-production rate amongst our industry peers according to Frost & Sullivan. Our production capability and capacity also allow us to efficiently adjust our production plans according to the consumer demand and market trend. See "Business — Production" for further details. Moreover, we have increased the purity of our mass-produced gold jewellery from 999 to 999.9, and successfully developed products with purity levels of 999.99 and 999.999. Furthermore, our dedication to gold jewellery product design and development enables us to create gold jewellery products that are aesthetically pleasing, aligned with evolving consumer preferences and feasible for mass production. According to Frost & Sullivan, the market size of gold jewellery with purity levels of 999.99 and above in terms of revenue was RMB2.30 billion in 2023, and it is expected to reach RMB3.10 billion in 2028 with a CAGR of 6.2% from 2023 to 2028. The market demand for gold jewellery products with purity levels of 999.99 and 999.999 is expected to grow further due to consumers' pursuit for quality gold jewellery products given that high-purity gold is valuable and has investment potential. According to Frost & Sullivan, in the long run, the gold price is expected to trend upward, thus making the purchase of high-purity gold a value protection investment. In addition, high-purity gold has good collection value, and some exquisite gold jewellery not only can be worn but also has ornamental and artistic value, which can be used as a family heirloom. Further, according to the same source, processing techniques for high-purity gold are complex, under which more exquisite and detailed jewellery can be produced, thereby satisfying consumers' requirements for craftsmanship embodied in the gold jewellery products.

- For marketing, to achieve extensive and impactful consumer reach across both online and offline channels, we employ versatile marketing strategies. For instance, during the Track Record Period, we devised successful promotional plans, such as initiating the "One RMB Exchange" promotion. Such marketing strategies not only enhance our brand recognition but also create a positive cycle of interaction between our consumers, our franchisees and us. Moreover, we have successfully established a diverse and extensive national multi-channel sales network in the PRC. This diverse and extensive network helps to extend our consumer reach and catalysts our sales and marketing goals.

- For quality control, we incorporate quality assuring/testing machinery to the production line. With our direct involvement in each production stage, commencing with the development of machinery and equipment to the creation of innovative products, we strive to ensure the quality standards are met at every step. For example, through our gold purification and testing processes, we strictly monitor the purity and authenticity of our gold jewellery products, which in turn, reinforces customer confidence.

As a leading OBM brand in the PRC in terms of gold jewellery revenue and gold processing volume in 2023, according to Frost & Sullivan, we are confident that we can capture the opportunities offered by the market growth.

Our R&D capability allows us to realize achievements and pioneer industry standard

Our R&D capability can be demonstrated by (i) our gold purification capability, (ii) innovation in mass production of 18K-gold spring clasps of various metals and specifications and (iii) our ability to set industry gold purity testing standards.

We consider gold purification as fundamental to the production of gold jewellery, as it can enhance the intrinsic value of gold jewellery. To meet the increasingly stringent consumer demand, we have made significant advancements in this area, particularly in the development of our patented technology of "autogenous welding" (無焊料焊接). This technique materially reduced the inclusion of non-gold materials in our production that may reduce purity level of our gold jewellery products and enables us to achieve gold jewellery purity levels of 999.999, which can only be achieved by a few jewellery manufacturers in the PRC, according to Frost & Sullivan. By reducing impurities through the process, we have successfully addressed common issues associated with traditionally welded joints in gold jewellery, such as discoloration, detachment, inadequate color, and wearer allergies.

We have attained significant milestones in course of developing our production capabilities, which can be demonstrated by our independent development and production of jewellery with gold purity level of 999.9 and 999.99, along with the launching of our cutting-edge 3D hard gold and other innovative products. Furthermore, we have developed an cyanide-free process for producing 999.9 high-purity gold. This achievement not only addresses environmental concerns related to conventional cyanide-based methods, but also brings about energy savings and reduced energy consumption.

Apart from gold purification, through our unwavering commitment to innovation, we have successfully overcome technical challenges relating to the production process to mass produce 18K-gold spring clasps. According to Frost & Sullivan, in 2019, we became the first and one of the very few domestic enterprises with scaled production of 18K-gold spring clasps. This accomplishment marks a milestone in the PRC gold jewellery industry as it effectively breaks the reliance on overseas imports of the mid-to-high end 18K-gold spring clasps. Our production capabilities allow us to manufacture 18K-gold spring clasps with a minimum outer diameter of 4mm and a remarkable sheet accuracy of +/– 1 micron on a large scale. This achievement addresses the previous industrial limitations and signifies the realization of PRC domestic production. Moreover, as the gold jewellery market expands, the demand for gold spring clasps, which are applied to join two ends of jewellery products, is also projected to grow at a CAGR of 7.8% between 2023 and 2028 according to Frost & Sullivan. We achieved technological breakthrough and realized mass production of spring clasps made of 999 gold, silver, stainless steel and copper and our groundbreaking achievement in this realm well positions us to benefit from the aforementioned market expansion.

Our dedication to R&D extends beyond the innovation with respect to mid-to-high end 18K-gold spring clasps. We have independently developed and manufactured stainless steel jewellery spring clasps. This pioneering accomplishment demonstrates our ability to introduce new jewellery processing technologies to the market.

In terms of contribution to gold purity testing standards, our achievements include:

- Our self-developed testing standard of "Gold Spectrum and Gold Chemistry Standard Sampling" provides an accurate and reliable method for detecting high-purity gold with a gold purity level exceeding 999.95. Our testing results are traceable to national measurement standards, thereby ensuring the highest level of accuracy.

- We have spearheaded the creation of the "High Purity Gold Chemical Analysis Method for the Determination of Impurity Element Content in Ultra-Pure Gold by Glow Discharge Mass Spectrometry" (T/SDAS4-2016), which was recognized as the industry standard for detecting ultra-high purity gold by the Shandong Standardization Association. This achievement sets us apart from competitors and solidifies our position as an industry leader in setting and advancing industry standards, further emphasizing our commitment to promoting standardization and ensuring the quality and consistency of gold jewellery production practices.

Our manufacturing together with our sophisticated craftsmanship lays a solid foundation for our rapid growth

Our ability to mass produce high-purity gold jewellery that embodies traditional craftsmanship has propelled our growth. We can create, adapt and/or calibrate machinery for gold jewellery production that allows us to launch products according to the market trends. Our strength in production is fundamental to our ability to meet customer demands in an efficient manner and a critical part of our operation. We treasure and maintain the intangible cultural heritage production techniques, including the traditional technique of "gold and silver fine crafting" (金銀細工製作技藝) in our production process, and further enhanced our automated and digitized production capacity through attaining production capabilities such as our patented technology of "autogenous welding", thereby constructing an efficient production chain. Our manufacturing capabilities separates us from our peers and gives us an edge in the growingly competitive market.

Our leading manufacturing equipment and production technique allow us to breakthrough the limitations of traditional craftmanship and standardize complicated production procedures. The application of computerized numerical control (CNC) processing centers, high-precision wire electrical discharge machines (精工線切割機), automatic laser welding machines (激光焊接機) and nine-axis engraving machines (九軸刻花精雕機), allows us to further enhance our automated process. Additionally, we widely apply 3D printing in our molding process which allows us to form high precision mold in hours that otherwise would require days (or longer). Our 3D molding process gives us the capacity to mass produce complex gold jewellery products and to reduce the amount of wasted gold in the production process.

We incorporate ICP (Inductively Coupled Plasma) quality assuring/testing machinery to the production line. We have established a gold testing center equipped with ICP (Inductively Coupled Plasma) emission spectrometry, ICP-MS (Inductively Coupled Plasma Mass Spectrometry), and spark direct-reading devices. Unlike the traditional practice of outsourcing testing of gold and other jewellery raw materials, our testing center is located inside our production complex in Changle County, Weifang City, Shandong Province, the PRC. Our self-owned testing center allows us to readily conduct quality control tests on raw materials, work-in-progress inventories, and finished goods. Based on the testing results, our production lines can be adjusted simultaneously to increase production yield rate and reduce wastage. In 2013, we obtained CNAS (China National Accreditation Service for Conformity Assessment) laboratory accreditation for our test center.

Our leading gold purification technology and advanced production facility allow us to purify trade-in gold materials and produce new products in our own production facility. This process enables us to produce new jewellery that aligns with current aesthetic trends while enhancing product quality. By engaging in gold trade-in, we also strengthen our interaction and connection with consumers while diversifying our gold material sources.

We have strong innovative capability and a track record of introducing quality and fashionable products driven by consumer preference

As the gold jewellery market evolves, consumers have more diversified consumption needs and preferences, and would demand products that allow them to express their individuality. Our ability to design and produce products that are well accepted by our target consumers has therefore been crucial to our success.

Adhering to the four principles of lightness (輕), craftsmanship (巧), refinement (精), and aesthetic (美), we provide our customers and consumers with a comprehensive portfolio of gold jewellery products that reflects the latest trends. In particular, we pay close attention to our target customers' preferences for product types and materials under different scenarios. With our deep understanding in the gold jewellery market and our well-integrated design and production capability, we have been able to continuously innovate and broaden our product portfolio.

We remain dedicated to innovating in both styles and materials used for our products. Throughout the Track Record Period, we introduced no less than 1,000 new SPUs on a monthly basis, which was higher than the average of approximately 500 SPUs of our competitors according to Frost & Sullivan. We firmly believe that presenting a constant stream of new jewellery designs and offerings can quickly captivate the interest of jewellery enthusiasts who have a deep appreciation for beauty and fashion.

With the beauty of the Chinese culture and its influence on gold jewellery products engrained in us, we always remain attentive to and seek to capture the market trends and popular elements. As of June 30, 2024, we had a design team comprising approximately 50 designers from design institutions across the nation, which strives to blend the trends into our jewellery in their daily course of work. We seamlessly incorporate modern fashion elements with contemporary Chinese styles into our design, resulting in a harmonious fusion of contemporary fashion and traditional Chinese aesthetics in our jewellery. For example, we have developed new products combining the traditional filigree inlaying techniques with lacquerware carving (漆雕) and golden lacquer (金漆鑲嵌) to promote and raise awareness for Chinese intangible cultural heritage handcrafts.

Our diverse product range encompasses not only the esteemed cultural heritage craftsmanship such as the renowned Eight Imperial Handcrafts, a national intangible cultural heritage but also to introduce cross-over merchandise, such as the "Lucky Golden Year (金年大吉)" jewellery series with a widely recognized beverage brand, among others. On top of collaborating with well-known IPs, we also introduced the "Sail with Dreams" jewellery series in honor of China's space exploration achievements, and it was highly sought after by the younger generation consumers.

Our prowess in product development is also demonstrated through various aspects, including the stiffness, brightness, and delicacy of our high-purity gold jewellery. Typically, gold purity and stiffness are inversely related. However, with our advanced technology on gold purity processing, we have created high-purity gold jewellery that possess the stiffness of not less than 60 HV scale. This demonstrates our ability to overcome conventional limitations.

Furthermore, apart from pursuing gold purity level breakthroughs, we also made progress on jewellery processing technologies and craftmanship. In 2019, we introduced the "Ultra-thin high precision" bracelet, a series which utilized our high-glossy polishing technology and achieved significant advancements in surface brightness, stiffness and delicacy. This exemplifies our dedication to precision craftsmanship and the production of exquisite jewellery pieces.

We have diverse and extensive national sales channels in the PRC that enables comprehensive consumers outreach

Our ability to produce high-purity gold jewellery products with consistent quality has helped build a diverse and extensive multi-channel sales network in PRC. In turn, this diverse and extensive network helps to enable consumer outreach and allows us to reach our sales and marketing goals.

As of June 30, 2024, our sales channels extended to more than 1,400 county level areas in over 250 cities across multiple provinces and municipalities in the PRC and included:

- 2,850 franchise stores operated by 1,670 franchisees;
- 36 self-operated stores strategically located in various shopping malls;

- seven self-operated direct service centers and 17 provincial-dealers appointed by us;
- online stores on major e-commerce platforms; and
- mainstream social media platforms, including but not limited to Wechat, Weibo, Tiktok and Xiaohongshu.

Our sales channels are anchored by our franchise network. In 2023, we were ranked third in terms of gold jewellery revenue (excluding gold bullion) in third and lower tier cities amongst gold jewellery brands in the PRC, according to Frost & Sullivan. According to the same source, third and lower tier cities had the highest growth rate in terms of market size from 2018 to 2023. They are projected to continue this rapid growth, whereby the sales growth in third-tier cities amounted to 12.4% from 2018 to 2023 and was projected to grow at a CAGR of 9.4% from 2023 to 2028. While the same for fourth and lower tier cities was 13.0% from 2018 to 2023 and was projected to grow at a CAGR of 9.2% from 2023 to 2028, respectively. We strategically targeted at third and lower tier cities in the PRC as our market entry points, with a vision to expand our market shares in these untapped markets and capitalizing on their significant growth and sustained expansion. Gaining first mover advantage in these markets helped us build market recognition and outpace our competitors. With our coverage and service capabilities, strong reputation, effective cost-control and diversified product portfolio, we have successfully developed our business and established our market position in third and lower tier cities.

Our franchise network played a crucial role in our success. By offering strong branding, quality products, and operational support to our franchisees, we have established a strong franchisees network. During the Track Record Period, our number of franchise stores remained stable. Leveraging our OBM business model and our gold purification capabilities, we supported our franchisees in implementing innovative promotion campaigns such as initiating the industry first "One RMB Exchange" promotion to enhance our brand awareness. Such marketing promotions not only attract consumers but also strengthened our relationship with franchisees and enhance our brand awareness, which is essential for sustainable long-term growth.

In addition, to ensure franchisees can adequately source our products, our self-operated direct service centers and provincial-dealers are responsible for selling our products to franchisees in their respective designated regions and to provide support and services. Such arrangement has been essential for maintaining a solid and loyal franchise network, and our franchise network is a cornerstone to our long-term growth and success. Providing high quality support and services to our franchisees helps to benefit our franchisees by enabling them to achieve higher sales and profitability, in turn benefiting our sales and profitability. We can also ensure their alignment with our brand values and strategic objectives. This approach creates a positive development cycle between ourselves and the provincial-dealers, whereby our provincial-dealers can economically benefit from the onward sales while we gain their expertise in management and/or development of a stronger network of franchisees. Moreover, such arrangement also enables our provincial-dealers to provide diversified products for franchisees' selection, which is essential for maintaining a strong and loyal franchise network.

Our extensive sales network is complemented by our online distribution channels through e-commerce platforms and mainstream social media platforms. According to Frost & Sullivan, millennials and Gen Z are becoming the source of growth to the gold jewellery market and such consumers often shop on the internet and social media. Thus, online presence has become increasingly essential to gold jewellery brands. Faced with such market development, we have established major online stores on e-commerce platforms such as T-mall and Taobao. We have also expanded our online business on other mainstream e-commerce platforms such as JD.com, Pinduoduo, Vipshop and etc. in order to seize opportunities in the rapidly developing e-commerce market. For details, see "— Sales and distribution channels". Revenue from online sales has grown rapidly, increasing from RMB364.5 million in 2022 to RMB750.7 million in 2023, representing a year-on-year growth of approximately 106.0%. For the six months ended June 30, 2024, our revenue derived from online sales further grew to RMB1,318.7 million, representing a period-to-period growth rate of 666.3% when compared to that of RMB172.1 million for the six months ended June 30, 2023. Such increase was primarily attributable to sales of gold bullion for a promotional event of a leading PRC online retailer. Moreover, to further enhance our online presence, we created sales platforms on mainstream social media platforms such as Xiaohongshu, Weibo, and Douyin. The use of these social media platforms allow us to tap into new consumer segments and fortified our brand awareness and reputation amongst such target consumers.

Our multi-channel sales network is diverse and extensive, enabling us to reach a wide range of customers across different regions and demographics, which ultimately strengthens our brand awareness, customer loyalty, and business growth.

Effective and inventive marketing strategies strengthened our brand recognition and deeply connected with our consumers

According to Frost & Sullivan, we were a leading brand in the 999.9 high-purity gold jewellery market in the PRC in 2023. Our high-purity gold jewellery not only demonstrates our leading technical know-how but is also the crux of our marketing strategy. It is an integral part of our brand concept and product design. We understand and appreciate the deeply-rooted belief of Chinese consumer in the authenticity and invaluable nature of high-purity gold jewellery. Our commitment to using only the finest raw materials and our dedication to craftsmanship ensure that our high-purity gold jewellery exceeds the expectations of our customers and consumers in terms of both quality and value.

Our marketing strategy focuses not only on the aesthetic appeal and trendiness of our high-purity gold jewellery products, but also on the cultural and emotional significance that they represent. By prioritizing these values, we gained customer loyalty and enhanced our brand recognition through publicity. Moreover, we are proud of the cultural influence of our brand, which enhanced our established sales network. Our founder, Mr. Wang Zhongshan is recognized for his gold and silver precision production technique and was named as one of the "Fifth Batch of Inheritors of Provincial Intangible Cultural Heritage of Shandong Province" (山東省第五批省級非遺項目傳承人名單) by Shandong Province. Benefiting from our founder's unique accolades and technical know-how, we incorporate some of the intangible cultural heritage production technique to bolster the cultural influence and artistic value of some of our products. Along the way, we also contributed to the promotion of such technique, creating a positive marketing and development cycle.

We regularly organize activities and promotions to increase customer participation, enhance brand exposure, and receive product feedbacks. As an industry pioneer and taking the advantage of our production capabilities, we introduced the "One RMB Exchange" promotion, which takes place annually for a week per store. Through this initiative, we may accept consumer trade-in of their used "Wan Purity" series gold jewellery purchased from us for new pieces of "Wan Purity" series gold jewellery of the same weight or more at a nominal crafting fee of one RMB per traded-in gram of gold with our franchisees or at our self-operated stores, and market gold price of any additional gold purchased and regular crafting fees for additional gold. Accordingly, consumers can enjoy the benefits of purchasing new pieces of gold jewellery while franchisees also benefit from consumer flow during such promotion events. As a result, this also creates a positive cycle that encourages consumers to continue buying from us, thereby increasing brand recognition and customer loyalty.

To achieve extensive and impactful customer reach, we deployed various marketing strategies. Leveraging our established sales network, we pride ourselves on our profound understanding of our target consumers' preferences, allowing us to develop tailored marketing plans that cater to specific product characteristics and market demands, especially among the millennials and Generation Z. We tapped into the innovative minds of the younger generation by partnering with university advertising festivals and we have also teamed up with renowned IPs such as with various renowned artists to launch various promotional events, as well as to introduce cross-over merchandise, such as the "Master Craftsman Legend (匠傳系列)" jewellery series in collaboration with the "Eight Imperial Handcrafts", the "Lucky Golden Year" jewellery series with a widely recognized beverage brand. We also introduced "Sail with Dreams" jewellery series in honor of China's space exploration achievements. These products extended our brand influence and attracted greater attention and participation from our consumers.

We believe our brand awareness has steadily increased and we have fostered a deep emotional connection with our consumers, earning us numerous accolades, including the 2023 China Gold and Jewellery Industry Excellent Full Supply Chain Service Provider (2023中國黃金珠寶行業全產業鏈優秀服務商) and 2023 China Gold and Jewellery Consumer Survey Recommended National Chain Store Brands (中國黃金珠寶消費者調查全國連鎖推薦品牌) by Beijing Gold Economic Development and Research Center and China Gold News. See "Business — Awards and Recognition" below for further details.

Sophisticated management team with valuable industry experience and pioneer vision, encouraging an innovative and pragmatic corporate culture

We have assembled an experienced management team of successful industry veterans led by Mr. Wang Zhongshan, our founder, executive Director and chairman of our Board and Ms. Zhang Xiuqin, our vice chairman and executive Director. Both of them have more than 20 years of experience in the gold jewellery industry.

Our founder, executive Director and chairman of Board, Mr. Wang Zhongshan, is a well-recognized figure in the gold jewellery industry in the PRC. He has more than 20 years of experience and was recognized as the inheritor of PRC's intangible cultural heritage at provincial level (中國省級非物質文化遺產傳承人). Mr. Wang has extensive and invaluable knowledge in the gold jewellery industry and has been accredited as honorable person in the gold and jewellery industry for 30 years, and "Outstanding Contributor to the Jewellery Industry on the 40th Anniversary of the Reform and Opening up". More importantly, he has led our Group to set national standard for the purification and manufacturing of 999.99 gold jewellery, through achieving technological breakthrough to produce gold jewellery products with higher level of fineness, i.e. purity levels of 999.9 and 999.99.

Under the leadership of our experienced management team, we have an innovative and pragmatic corporate culture. We are a firm believer of the notion that innovation is the key to driving the development and progress of enterprises, while practicality is a vital catalyst transforming innovation into tangible results. We also benefit from establishing our production facility in Changle County, Weifang City, Shandong Province, the PRC, a city which we believe has rich jewellery history and profound jewellery crafting tradition. Embracing the local gold jewellery cultural heritage, we were able to establish a reputable gold jewellery brand that is highly competitive.

OUR STRATEGIES

Our mission is to "continuously driving technological innovation and delivering quality aesthetic products and trusted services with exceptional value to consumers" and our vision is "showcasing the beauty of China through forging a world-class gold jewellery brand across an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network". To fulfil our mission and realize our vision, we intend to implement the following strategies:

Expand our production capacity through further investment in our production machinery to support our business growth

Our ability to mass-produce gold products with advanced equipment sets us apart from our competitors. We have invested in and revamped our production facilities and introduced digitalized equipment to our production line, including CNC processing centers, high-precision wire electrical discharge machining, nine-axis engraving machines, and automatic laser welding machines. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the utilization rate of our production facility was 94.4%, 83.1%, 87.1% and 73.0%, respectively. The lower utilization rate for the six months ended June 30, 2024 primarily resulted from slower sales as our sales volume decreased by approximately 10.4% compared to the six months ended June 30, 2023. Our Directors consider that the production facilities were highly utilized during the Track

Record Period. Our effective utilization rate has been consistently above 70% since 2021. We believe that upgrading the production facility is necessary as illustrated below:

(1) *Increasing market demand*

According to Frost & Sullivan, sales growth of gold jewellery products in the third-tier cities was at a CAGR of 12.4% from 2018 to 2023 and was projected to grow at a CAGR of 9.4% from 2023 to 2028, while the same for fourth and lower tier cities grew at a CAGR of 13.0% from 2018 to 2023 and was projected to grow at a CAGR of 9.2% between 2023 and 2028, respectively. Additionally, as the gold jewellery market expands, the demand for K-gold spring clasps, which are applied to join two ends of jewellery products, is also projected to grow at a CAGR of 7.8% between 2023 and 2028 according to Frost & Sullivan. In 2023, we established a dedicated production line for K-gold spring clasps to separately track the sales of this product category. Our revenue derived from the sales of K-gold spring clasps amounted to RMB7.7 million for the year ended December 31, 2023, and RMB2.6 million for the six months ended June 30, 2024. Considering these market trends, this necessitates an upgrade in the production facilities.

(2) *Foreseeable increase in number of product types*

We expect to enhance our research and development capabilities and to increase our number of stock product unit from more than 67,000 as of June 30, 2024 to over 74,000 as of December 31, 2025 after establishing the research and development center. With this expansion, there is a clear need to augment production capabilities to accommodate the substantial increase in the variety of products.

We believe that upgrading the production facility is vital due to the projected market demand growth for gold jewellery products and gold spring clasps. Additionally, the anticipated increase in the number of product types necessitates enhanced production capabilities. By upgrading the production facility, we aim to meet market demand, support product diversification, and maintain our competitive position in the industry.

In order to further enhance our supply chain capabilities to support the increasing market demand, we strive to optimize our supply chain through expansion of our production capacity and upgrading our existing production line through automation as follows:

- To elevate our manufacturing capabilities, we plan to upgrade our production facilities for gold jewellery products and mid-to-high end 18K-gold spring clasps located in Changle County, Weifang City, Shandong Province, the PRC. The estimated investment for fixed assets is approximately RMB[REDACTED] million. Our upgrade plan includes: (i) the construction of a major new production workshop and refurbishment of the existing production area to meet the increasing demand for gold jewellery; and (ii) the construction of new staff canteen and staff quarters to improve the overall employee welfare. For further details of our upgrade plan, please refer to the section headed "Future Plan and [REDACTED]"; and

- We believe we will take advantage of facility upgrade and technological innovation to increase automation level and reduce manual labor in our key manufacturing processes. The investment in integrated and automated infrastructure will enable us to materialize flexible manufacturing capabilities, better satisfy the customized product preferences of consumers and realize fast response to market demand.

We are confident in the viability of our expansion plan, supported by the below factors. According to Frost & Sullivan, the gold jewellery market in first-tier and second-tier cities in the PRC are expected to grow at CAGRs of 8.8% and 9.7% from 2023 to 2028 and reaching RMB123.9 billion and RMB345.3 billion in 2028 respectively, while the market size of gold jewellery in third-tier cities and in fourth and lower tier cities are projected to reach RMB189.5 billion and RMB152.3 billion in 2028, representing a CAGR of 9.4% and 9.2% from 2023 to 2028, respectively. In view of the growing market demand for the gold jewellery products and our high utilization of the existing production facility, we target to enlarge our scale of production, strengthen our production process and further implement automated production infrastructure at our production facility in Weifang, which in turn further enhance our production capacity and efficiency.

With our substantial investment in upgrading of production facility, we are well-positioned to meet customer demand and support our rapid business growth. We anticipate that the increased level of automation in production and the increase in our production capacity would allow us to compete with better product price, and in turn expand our business and engage more franchisees to explore unsaturated markets. Also, we believe that we can fulfil the demand for our products from our franchisees and provincial-dealers, which in turn would strengthen our relationship with them, and at the same time, penetrate into unsaturated markets for an increase in consumer base.

There is no guarantee that any of the expansion projects will proceed as planned. We remain open to investing in additional expansion projects as we continue to expand our business and capitalize on market opportunities.

Approximately [REDACTED] (or HK$[REDACTED] million/RMB[REDACTED] million) of our [REDACTED] from the [REDACTED] will be used to finance our expansion of our production capabilities by upgrading our existing production facility. For further details, please refer to "Future Plans and [REDACTED]".

Further enhance our R&D capabilities through establishing a research and development center to solidify our innovation capacities and competitiveness

Our R&D capabilities is vital for us to remain at the forefront of the market. According to Frost & Sullivan, there will be expectedly more trendy designs and continuous technique enhancement in the gold jewellery market in the PRC. As such, we plan to continue to focus our R&D efforts in perfecting gold processing techniques, machinery required for mass production of gold jewellery and gold jewellery design as follows:

- Introduction of a research and development center at Changle County, Weifang City, Shandong Province, the PRC to serve the functions of material testing, jewellery design, R&D of machinery and technologies in order to advance our jewellery crafting technology and continuously developing new product designs to fill our new gold jewellery product pipelines and a supporting office at Shenzhen City, Guangdong Province, the PRC; and

- Recruitment of 70 R&D talents to enhance our R&D capabilities.

We plan to use our R&D center to make significant contributions to the development and enhancement of gold processing techniques and the machinery required for the mass production of jewellery and related products. We plan to leverage our R&D center to (i) enhance our gold-related technologies, including improving the purity of our gold jewellery products and advancing jewellery processing techniques; (ii) collaborate closely with our manufacturing team to standardize complex production procedures and achieve high precision in the automated mass-production of gold jewelry; and (iii) expand our product portfolio by conducting extensive market research on current jewelry trends and consumer preferences, as well as analyzing regional trends for our customers. These initiatives enable our R&D center to help us reduce costs and increase efficiency. For further details of our R&D activities, please refer to the section " — Our Research and Development".

We expect to increase number of stock product units from more than 67,000 as of June 30, 2024 to over 74,000 as of December 31, 2025. Further, in order to bolster our automated gold crafting techniques and product design capabilities, we plan to form collaborations with renown design institutes and designers both in the PRC and overseas for specific projects to diversify service offerings.

Strengthen and expand our distribution channels to further our customer reach and improve customer experience

We believe that maintaining an effective and extensive sales network is crucial to our business success. We also believe that there are still many untapped opportunities in the PRC's gold jewellery market with a vast number of locations in the PRC where we can set-up new self-operated stores or franchise stores. As of June 30, 2024, we established an offline store network covering over 2,850 franchise stores and 36 self-operated stores. We will continue to expand the breadth and depth of our offline store network through the opening of new franchise stores and self-operated stores in existing markets, and expand nation-wide to achieve more effective and in-depth consumer reach. We believe that expanding the number of our offline stores and our consumers reach is vital to improving our brand recognition and market penetration rate.

We intend to further enhance our well-established market position in third and lower tier cities in China. We plan to expand franchise store network across the country, with the majority of these new franchise stores located in regions where we already have a strong competitive advantage, such as Shandong Province, Hubei Province and Henan Province. The strategic placement of these stores leverages our existing market strength and consumer familiarity with our brand, allowing us to efficiently expand our network while maintaining cost-effectiveness. Additionally, to penetrate urban markets and enhance our brand presence in first-tier cities, we are also planning to launch new franchise stores in Beijing and Tianjin. This expansion into first-tier cities is a strategic move targeting affluent consumer segments and expanding our market penetration in high-density areas with significant purchasing power.

To realize the expansion of our offline store network, we also plan to open 33 self-operated stores by December 2027. We will primarily focus our expansion efforts in opening self-operated stores in third and lower tier cities in the PRC where we have relatively strong market position and store density, as we can leverage the brand awareness that we have built up in those cities to accelerate our growth. In selecting the location for opening new stores in these areas, we will carefully consider (1) the economic status of cities and overall development of the regions; (2) factors on consumers including the demographics of regions, consumer consumption habits and preferences and consumer purchasing power; and (3) surrounding environment including traffic conditions, rental situation of nearby shops and positioning of the regions. We also strive to minimize unhealthy competition among stores.

At the same time, we will also be looking to opening self-operated stores in new first-tier and second-tier cities in the PRC where our store density is relatively low. According to Frost & Sullivan, these markets always have a high demand for gold jewellery products, which presents as a significant opportunity for us to expand our presence to new markets and improve our market coverage across the PRC. Further, the expansion into first tier and second tier cities helps to improve our brand exposure in cities where we are less well-known, thus improving our brand awareness and image.

In addition to opening new stores, we also intend to improve the scale and operations of our seven self-operated direct service centers through enlarging the exhibition halls managed by our self-operated direct service centers. We believe that this will increase the inventory of gold jewellery available for sale and therefore motivate franchisees to increase their purchases during exhibition events.

Approximately [REDACTED] (or HK$[REDACTED] million/RMB[REDACTED] million) of our [REDACTED] from the [REDACTED] will be used to expand and enhance our sales and distribution network. For further details, please refer to "Future Plans and [REDACTED]".

Accelerate the development of our digital information platforms and to improve our membership program

We plan to continue to enhance the digitalization of our operations across all aspects of our operations. In particular, we plan to further invest in the development of a centralized operational system over the next few years to enhance our business functions and improve our operating efficiency. Our intended centralized operational system will include our complete proprietary CRM system which provides centralized management over various aspects of our sales and distribution network, and enhanced with client information categorization and analysis, sales personnel check-in and workload management, as well as logistics data management. Currently, we have a CRM system in place that serves as an internal sales data management system to record sales and trade-in transaction details, as well as to capture end consumer information. We intend to enhance the features and expand the capabilities of our CRM system with additional functions and enriched dimensions for recording transaction details to better accommodate our business needs.

Apart from serving as a sales data management system, we plan to develop new features in the upgraded CRM system to cater to other operational needs of franchisees and self-operated stores. For instance, we intend to introduce a new interface on the CRM system enabling users to manage their sales performance. This will entail new features such as setting sales performance targets and utilization rates for key performance indicators by individual staff, along with a new commission management system linked to the sales data inputted. Additionally, with the constant diversification of our product portfolio, we intend to further stratify the labeling of our inventory management system, enabling users of the CRM system to locate relevant products more accurately. With these additional details recorded in the new CRM system, we not only aim to optimize our operational efficiency but also to draw further insights from the more detailed transactional information gathered from franchisees.

On the other hand, we also intend to enhance our existing membership management module in the new CRM system, encompassing more advanced customer support and clientele management functionalities, such as member rewards and the generation of discount codes. We believe these initiatives will help foster customer loyalty.

Furthermore, we aim to explore the synergistic effects between our digitalization of CRM system, our EDM System and our franchise network outreach. For details of our EDM System, see the section headed "Future plans and [REDACTED]". Data-driven intelligence marketing solutions can be strategized and an integrated digital business ecosystem can be built with the synergies of our CRM system. Our CRM system will be connected to all our online and offline stores, and through various intelligent platforms of our centralized operational system, we will also be able to collect and analyze big data on the sales performance of our distribution channels such as inventory level, sales volume, trends in the sales, and comparisons of sales with historical statistics, as well as feedback from our customers in order to conduct analysis to identify customer preferences and any deficiencies in our sales network. Our sales and marketing team will also be able to analyze the information collected regularly to understand customer preferences with even more granularity and accuracy, allowing us to fine-tune our media reach, optimize our conversion funnel and offer customized promotions. We believe a deeper understanding of our customers' preferences and market trends will drive our ability to effectively engage with customers, make our marketing more efficient, enlarge our customer base, increase the frequency of orders and repeat orders, and ultimately generate more sales.

With the CRM system, we aim to further advance the development of our membership system and grow our membership base through precision marketing and optimized membership benefit program. We will also strengthen our insights into consumers' behavior to offer the most suitable marketing, customized services, and products, thus increasing members' activity and loyalty.

Continuously invest in brand building and further improve product innovation and expand product offerings

Our brand is the foundation and cornerstone of our relationship with consumers and we see the [REDACTED] as an opportunity to further enhance our brand awareness domestically and overseas. We are committed to promoting and strengthening our brand "**梦金园**" through various marketing initiatives including placing advertisements on transportation hubs and commercial districts. Furthermore, with an aim to promote our brand to younger generation and in light of the increasing internet penetration rates and the widespread use of smartphones, we intend to increase our online advertising expenditure in order to promote our brands and products online. We also intend to increase the use of online social media platforms such as Xiaohongshu and Douyin and collaborate with popular celebrities and key opinion leaders (KOLs) to leverage on their public image and popularity to further promote our brand and products. Moreover, we plan to continue devising marketing plans during festivals and holidays such as Chinese New Year festival and Qixi (七夕) festival to further elevate our brand recognition and awareness.

We believe that the constant release of new product lines and the maintenance of a rich and diverse product portfolio is vital to improving our brand exposure and brand awareness. We will continue to offer our customers diversified gold jewellery products with appealing designs at affordable prices to capture more market opportunities. In the future, we will continue to invest in the development and launching of other product lines based on trending themes to enrich our product offerings to further promote our brand.

OUR BRAND AND PRODUCT PORTFOLIO

Our brand is "**梦金园**". We are proud of our capability in producing high-purity gold jewellery. High-purity gold is an integral part of our brand positioning and our jewellery design concept. We focus not only on the aesthetic appeal and trendiness of our gold jewellery products, but also on the cultural and emotional significance that they represent. Our commitment to using only the finest materials and our attention to craftsmanship ensure our gold jewellery continues to meet, if not exceeds, the expectations of our customers in terms of both quality and value. In addition, our gold jewellery and other gold products include jewellery and gold bullion.

Over the years, through our "**梦金园**" brand, we have fostered a deep emotional connection with our consumers, earning us numerous accolades, including being awarded the 2023 China Gold and Jewellery Industry Excellent Full Supply Chain Service Provider (2023中國黃金珠寶行業全產業鏈優秀服務商) and 2023 China Gold and Jewellery Consumer Survey Recommended National

Chain Store Brands (中國黃金珠寶消費者調查全國連鎖推薦品牌) by Beijing Gold Economic Development and Research Center and China Gold News. See "— Awards and Recognition" below for further details.

During the Track Record Period, we primarily derive our revenue through (i) sales of gold jewellery and other gold products, (ii) sales of K-gold jewellery, diamond inlaying jewellery and other products and (iii) provision of services. The following table sets forth the breakdown of our revenue by product and services during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Gold jewellery and other gold products	16,457,308	97.5	15,392,835	97.9	19,877,366	98.4	9,137,879	98.1	9,834,885	98.5
K-gold jewellery, diamond inlaying jewellery and other products	296,605	1.8	226,187	1.4	225,513	1.1	127,648	1.4	99,925	1.0
Services	117,087	0.7	105,193	0.7	105,720	0.5	50,686	0.5	44,934	0.5
Total	**16,871,000**	**100.0**	**15,724,215**	**100.0**	**20,208,599**	**100.0**	**9,316,213**	**100.0**	**9,979,744**	**100.0**

Average unit price of our products

During the Track Record Period, the average unit price of gold jewellery and other gold products (excluding gold bullion) sold by us amounted to RMB2,949.0/unit, RMB3,125.1/unit, RMB3,304.8/unit and RMB2,832.1/unit for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. The average unit price of gold bullion sold by us for the same year/period amounted to RMB6,780.2/unit, RMB7,151.6/unit, RMB4,316.0/unit and RMB4,935.8/unit, respectively. Additionally, the average unit price of K-gold jewellery, diamond inlaying jewellery and other products sold by us amounted to RMB540.1/unit, RMB595.7/unit, RMB670.9/unit and RMB806.6/unit for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our gold jewellery and other gold products

During the Track Record Period, our revenue derived from the sales of gold jewellery and other gold products accounted for 97.5%, 97.9%, 98.4% and 98.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. We offer a variety of gold jewellery and other gold products, including gold bullion, under different product lines catering for different scenarios one may encounter in daily life, such as for daily wear and sending gold jewellery as gifts under different scenarios. We also offer gold jewellery products under different products lines of different purity levels. Gold jewellery of purity level of 999.9 are also referred to as "Wan Purity" series (萬純系列), and gold jewellery of purity level of 999.99 are referred to as "Yi Purity" series (億純系列).

The following table sets forth the breakdown of sales volume and revenue of our gold products by product type:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue
	(kg)	(RMB'000)	(kg)	(RMB'000)	(kg)	(RMB'000)	(kg)	(RMB'000)	(kg)	(RMB'000)
Gold products of purity level of:										
999.9 ("Wan Purity" series)	40,468.2	13,870,027	39,101.2	13,978,637	43,251.3	17,865,322	21,095.1	8,379,816	13,594.2	6,282,342
999.99	2,139.2	740,332	2,367.0	845,445	2,733.5	1,121,958	1,332.9	526,670	3,988.7	1,957,932
Others	519.6	194,815	306.9	126,570	377.2	178,425	199.2	91,848	697.1	490,795
Gold bullion	4,962.8	1,652,134	1,250.5	442,184	1,704.5	711,661	359.0	139,545	2,308.8	1,103,816
Total	48,089.8	16,457,308	43,025.6	15,392,835	48,066.6	19,877,366	22,986.2	9,137,879	20,588.7	9,834,885

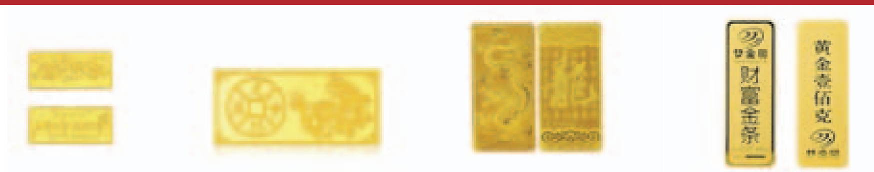
We set forth below our major product portfolio for our gold jewellery and other gold products:

Gold Jewellery

Major scenarios	**Daily wear**			**Marriage**	**Giving birth**
Major product lines	Exquisite small ornaments	Ancient style, pray for good luck	Sail with dream	Cherish your love	Praying for good luck for newborn
Theme of the design	**Continue to write the legend of the Winter Olympics under ice and snow**	**Displaying the oriental art of ink in Chinese painting in a square inch of enamel**	**The exquisite light that soars through the mysterious universe**	**Mulberry flower to convey the message of to love who you treasure and to cherish what you have**	**Inherit ancient crafts and preserve inheritance**
Product showcase					
Crafting fee range (RMB) for Major product lines	10.5–24	17.5–35	14.5–28	10.5–24	4.5–24

Gold Bullion

Product showcase



Selling price range Our selling prices for gold bullion are generally based on the gold market price plus a crafting fee, which is generally lower than the crafting fee for our other gold products, as gold bullion requires less craftmanship.

Note: Each product line includes Wan Purity series products that qualify for trade-in under the "One RMB Exchange" program. The price range of the Wan Purity series products is the same as the illustrative selling price range for consumers.

Below sets forth a few of our signature product lines:

“Master Craftsman Legend series — The Master's Legacy” (匠傳系列—大師匠傳)

“The Delicates series — Twinkle” (玲瓏小飾系列—小星動)

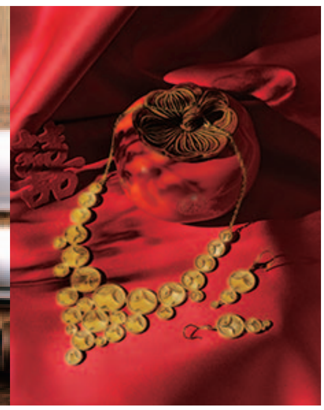
The “Ancient prayers for good fortune series — Buddha’s blessings” (祈祥•古法系列—佛佑)

The “Ancient prayers for good fortune series — The Unparalleled Oriental Beauty” (祈祥•古法系列—國色無雙)

“Master Craftsman Legend series — Luck, Wealth and Golden Fortune” (匠傳系列—福祿金安)

“‘The Delicates series — Cute Pets” (玲瓏小飾系列—萌寵)

The “Ancient prayers for good fortune series — Sign of Fortune” (祈祥•古法系列—吉兆)



“The Happily Ever After series — Little Fortune” (喜事臨—小幸福)

Our K-gold jewellery, diamond inlaying jewellery and other products

During the Track Record Period, our revenue derived from the sales of K-gold jewellery, diamond inlaying jewellery and other products accounted for 1.8%, 1.4%, 1.1% and 1.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. The following table sets forth our major product portfolio for our K-gold jewellery, diamond inlaying jewellery and other products:

OUR BUSINESS MODEL

Our operation weaves together key stages of the gold jewellery industry, commencing with trusted raw material sourcing, and through core operations including raw material purification, brand management, R&D, product design, manufacturing and completing with a diversified sales network, while committing to quality along the way. Our OBM business model allows us to effectively decipher the recent consumer trends through our diversified sales network and to bring such products to market leveraging our independently developed gold purification capability and strong production know-how, effectively elevating our operational efficiency. According to Frost & Sullivan, from 2018 to 2023, we were the only gold jewellery brand in the PRC that had consecutively been ranked in the top five of both the "Top Ten Enterprises in Gold Jewellery Processing Volume" and the "Top Ten Enterprises in Gold Jewellery Sales Revenue" by the China Gold Association. In 2023, we ranked third and fifth by gold processing volume and gold jewellery revenue, respectively, amongst gold jewellery brands in the PRC, according to Frost & Sullivan. We believe our OBM business model enables us to reduce costs, improve efficiency and reliability of our production process and maintain control over our sales channels.

Our expertise in gold purification enables us to elevate the purity of our mass-produced gold jewellery from 999 to 999.9. We consider gold purification to be fundamental to the production of gold jewellery, as it can upgrade the intrinsic value of gold jewellery and the purity level of gold is a crucial factor in the purchasing decisions of consumers.

Our self-owned production facility, combined with our investment in R&D, allow us to integrate production with sales. This ensures that we can timely meet the demand of our customers and consumers, while providing flexibility in new product offerings. Leveraging such strength, we have successfully established a diverse and extensive national-wide multi-channel sales network in PRC including franchise stores, self-operated stores, and e-commerce platforms. According to Frost & Sullivan, sales growth of gold jewellery products in the third-tier cities was at a CAGR of 12.4% from 2018 to 2023 and was projected to grow at a CAGR of 9.4% from 2023 to 2028, while the same for fourth and lower tier cities grew at a CAGR of 13.0% from 2018 to 2023 and was projected to grow at a CAGR of 9.2% between 2023 and 2028, respectively. Our diverse and extensive sales network extends our consumer outreach and helps to achieve our sales and marketing goals.

Our franchise network

We primarily sell our products to consumers through our offline network comprising of franchise stores and self-operated stores. In addition, we also offer our products to consumers through online sales via e-commerce platforms. We also maintain a third-party product list which our franchisees are permitted to buy and sell third-party produced products under our brand name "梦金园", provided that the products passed the inspection of us or a third-party testing agency designated by us.

As of June 30, 2024, we had established a comprehensive franchise network including 2,850 franchise stores operated by 1,670 franchisees, seven self-operated direct service centers and 17 provincial-dealers. Our other sales channels include 36 self-operated stores, sales to online platforms and online stores on major e-commerce platforms in our consumer network. For further information, see "— franchisees and provincial-dealers management".

During the Track Record Period, we achieved a high turnover with corresponding net profit margins that were low. Such financial results were primarily attributable to our adoption of franchise distribution model, whereby we maintained low fixed crafting fees when we sell to provincial-dealers and/or franchisees. In turn, our franchisees can benefit from higher profit margins on their subsequent sales to consumers. The increased profit margins not only strengthened our franchisees' financial standing but also fostered their loyalty, reinforcing the bond between them and us. When franchisees are able to achieve higher profit margins, they are more likely to remain committed to our brand and franchise network. They see the value in continuing their partnership with us and are motivated to actively participate in the growth and success of our franchise network. Our business model, with franchise stores across the PRC, enables rapid expansion in targeted markets. The franchise business model provides an asset-light and cost-effective means of expanding our store network and geographical coverage. According to Frost & Sullivan, our business model of high revenue but a relatively thin net profit margin is not uncommon among industry peers who also adopt a franchise distribution strategy. Due to the aforementioned, for the three years ended December 31, 2023 and the six months ended June 30, 2024, our Group operated on a thin net profit margin of 1.3%, 1.1%, 1.2% and 0.5%, respectively.

Net profit margin

During the Track Record Period, our net profit margin remained relatively stable at 1.3%, 1.1%, 1.2% and 0.5% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our low net profit margin was primarily attributable to our adoption of franchise distribution model, whereby we maintained low fixed crafting fees to our products when we sell to provincial-dealers and franchisees. Such pricing model in turn benefits our franchisees as they are able to sell to consumers at higher margins subsequently.

Our net profit margin remained relatively stable for the three years ended December 31, 2023. We recorded a slightly decreases in our net profit margin from 2021 to 2022 partially due to our distribution and selling expenses increased as we implemented organic growth strategies to expand our market share. For the year ended December 31, 2023, our net profit margin remained stable with a slight increase from 1.1% in 2022 to 1.2% in 2023. Our net profit margin decreased from 1.2% for the year ended December 31, 2023 to 0.5% for the six months ended June 30, 2024 primarily due to an increase in our net realized loss on Au (T+D) contracts and gold loans, which in turn, was a result of a material increase in gold price during the first half of 2024. Our net profit decrease coupled with our revenue growth resulted in a decrease in our net profit margin for the six months ended June 30, 2024 when compared to the corresponding period of 2023.

Gold jewellery products generally have lower margin when compared with other jewellery products, but the lower margin for gold jewellery products does not mean low crafting skills applied when producing such products. Also, due to comparatively stronger market demand for gold jewellery products, they generally have higher inventory turnover.

Net profit margin and our hedging strategies

Our net profit margin fluctuation is subject to gold price fluctuation, among other factors.

To mitigate the potential impact of gold price fluctuations on our business, we utilized gold loans and Au (T+D) for an economic hedge against our gold inventory position. The financial impact of our economic hedge of Au (T+D) and gold loans was reflected under "other gains and losses, net" in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. However, the appreciation or depreciation in the monetary value of our gold inventories may not necessarily be reflected in our net profit, as gold inventories were stated at the lower of cost and net realizable value in our consolidated statements of financial position. In situations where (i) there is an appreciation of monetary value of gold inventory, or (ii) there is a depreciation of monetary value of gold inventory but the net realizable value is still higher than cost, the inventory value will be calculated by cost and will not affect our net profit; however, under situations where there is a depreciation of monetary value of gold inventory resulting in the net realizable value lower than costs, an impairment loss on inventory will be incurred, thereby affecting our net profit.

In case of gold price decrease, the depreciation of monetary value of our gold inventory balance is not necessarily reflected as a loss, but we will record a gain on our Au (T+D) contract as we can sell at the previously determined Au (T+D) gold price which is higher than the market gold price. This leads to a gain to be recorded under "other gains and losses, net".

In case of gold price increase, the appreciation of monetary value of our gold inventory balance is not reflected in our net profit, but we will record a loss on our Au (T+D) contract as we need to sell at the previously determined Au (T+D) gold price which is lower than the market gold price. This leads to a loss to be recorded under "other gains and losses, net".

To illustrate, when gold price increases, increase in our gold inventory monetary value will not be accounted for as our profit, but we will suffer losses on Au (T+D), adversely impacting our net profit, which leads to a net profit margin decrease.

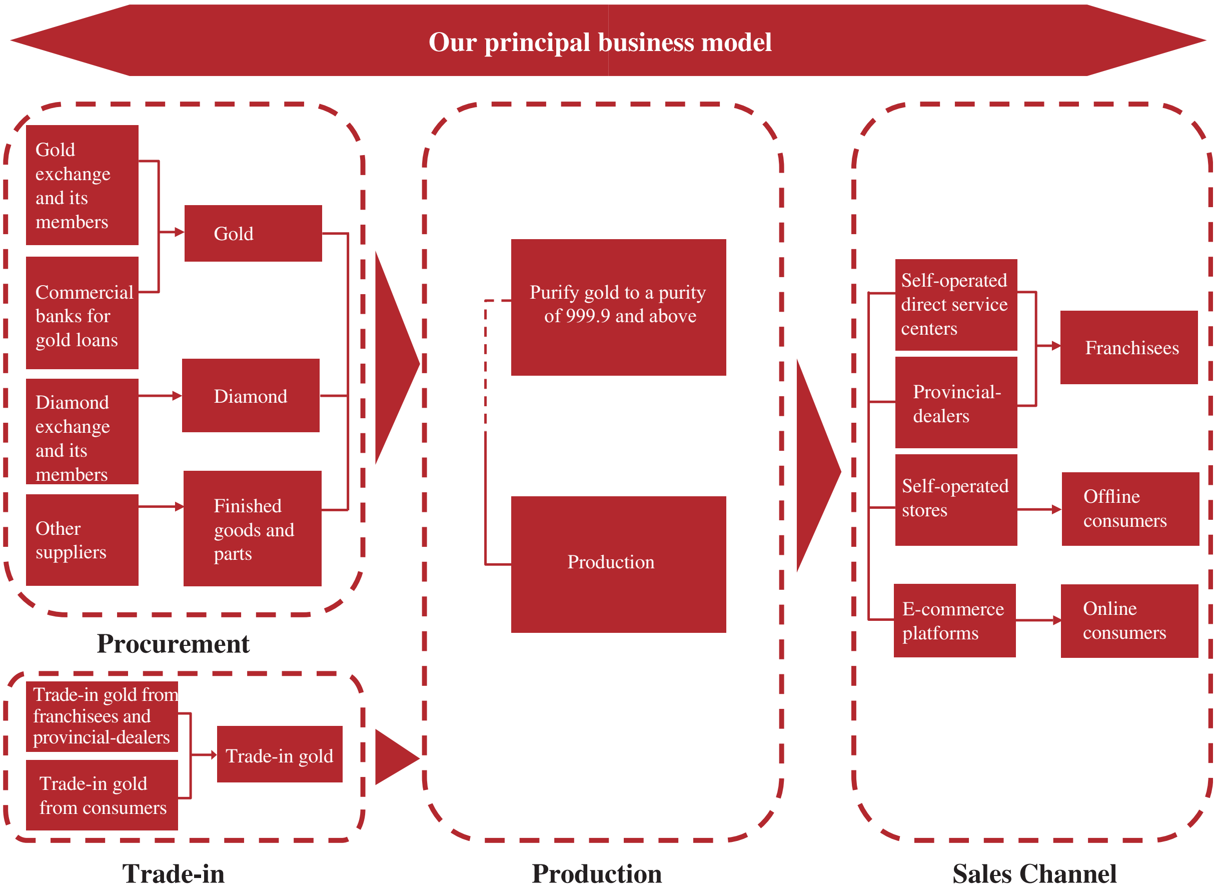
For further details on how Au (T+D) operates, please see "Business — Our Procurement/ Suppliers — Procurement of Gold — (b) Gold Price Exposure Management to Manage Fluctuations of Raw Material Price — Adoption of Au (T+D) contracts".

Other factors which may also have an impact on our net profit margin include business activities, product mix and sales channels.

To mitigate the situation of thin profit margins, we intend to continue to increase the proportion of higher-margin products in our product mix by focusing on products that incorporate more sophisticated crafting skills. We will also continue to conduct periodic review of our gold jewellery crafting fees and product mix and make appropriate adjustments from time to time, as they have a direct impact on our gross profit margin. We also believe that with our success in [REDACTED], our brand image would be elevated and we would have the [REDACTED] from the [REDACTED] to further expand our business and with our business expansion, our gross profit margin may improve based on the economies of scale effect.

Furthermore, our Directors are of the view that although our gross profit margin is low, the gross profit amount was still substantial at approximately RMB536.4 million, RMB759.2 million, RMB1,077.5 million and RMB617.5 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our principal business model and operation workflow are illustrated in the following diagram:



Our Procurement

We specialize in developing and commercializing high-purity gold jewellery products. Our ability to source high-purity gold and other raw materials is essential to our operation and growth. Over the years, we have built a stable supply network for our main raw materials, which primarily include gold and diamond. We attained special membership with the Shanghai Gold Exchange in 2020 after demonstrating satisfactory financial resources, internal controls, and business capabilities. As a special member of the Shanghai Gold Exchange, we are able to purchase gold directly from the officially authenticated source, which reduces the need to purchase gold from third parties. According to Frost & Sullivan, as of October 31, 2023 the Shanghai Gold Exchange had approximately 290 members, out of which approximately 30 companies were special members. Many of the members are banks, financial institutions, gold mining companies, gold products manufacturers and gold traders. To apply for special membership with the Shanghai Gold Exchange, applicants are required to lodge a formal application and the approval process typically takes around 60 working days. The eligibility requirements include that the applicant: (i) be a validly existing entity registered in China, (ii) have net assets of no less than RMB50 million, (iii) have been profitable for each of the last three financial years (prior to application) and (iv) be compliant with relevant laws and regulations of the PRC and have had no material non-compliant incidents during the course of the applicant's operation in the three years (prior to application). Generally, the review process involves an assessment conducted by the Shanghai Gold Exchange's general manager and final approval by the chairman, unless otherwise specified. The membership of the Shanghai Gold Exchange requires annual renewal through the payment of an annual fee and we will renew our membership in September 2026. The gold we purchase from the Shanghai Gold Exchange is tested and certified, thus reducing any uncertainty about the gold purity/quality that we use as raw materials for our gold jewellery products. We also obtained gold through gold trade-in. For details of our gold trade-in, see "— Gold Trade-in".

Our Research and Development (R&D)

We have been committed to and have invested substantively in the R&D of the gold processing techniques and the machinery required for the mass production of jewellery and jewellery products.

R&D on technology: We are committed to ensuring the gold purity of our gold jewellery products, advancing jewellery processing techniques, and enhancing production capabilities. According to Frost & Sullivan, as of the Latest Practicable Date, we are one of the few gold jewellery brands that can mass produce gold jewellery of 999.9.

R&D on machinery: Our R&D on machinery allows us to standardize complicated production procedures and achieve high precision automated mass-production of gold jewellery, thus allowing us to be one of the few gold jewellery brands that can independently manufacture and sell gold jewellery products, according to Frost & Sullivan. Over the years, we have revamped imported industry-leading production equipment, including robotic arms for accessories flipping, automated carving machines, automatic butterfly chain punching machines, chain loosening machines, automatic thin wall gold tube necking machine and precisely calibrated these machinery to suit our production needs. These machineries distinguish us from gold jewellery brands that only focus on jewellery design but rely on external manufacturers or imported machinery for production. Backed with R&D capability and self-developed machineries, we can fine-tune our production process, self-improve our product quality and conduct production trial to support our product development department.

R&D on products: Our product portfolio encompasses a wide range of jewellery products, including rings, necklaces, pendants, bangles, earrings, brooches, bracelets, and more. Such comprehensive product portfolio provides our consumers with ample choices for different occasions, such as daily wear, weddings, and gifts for newborns. We innovate to meet current market trends and satisfy the needs of different types of customers. One of the most salient features of our products is that we employ the traditional technique of "gold and silver fine crafting" in our production process, which is an ancient jewellery crafting technique that was recognized as a Chinese intangible cultural heritage in 2008, combining with our patented technology of "autogenous welding", we are committed to preserve Chinese cultural heritage and to showcase the beauty of traditional craftmanship through our high quality gold jewellery. With our deep understanding of the gold jewellery market and our well-integrated design and production capability, we have been able to continuously innovate and broaden our jewellery portfolio.

Our Production and Quality Control

Our ability to mass-produce gold jewellery with advanced equipment in the production phase sets us apart from our competitors. We have invested in and revamped our hardware production facilities and introduced digitalized equipment to our production line. Such production capability allows us to enhance the quality and efficiency of our gold jewellery production through better control of our production process — starting from testing the quality of raw materials used, adopting standardized quality control, and final product sample testing.

With our direct quality control involvement in each stage of production, we can ensure the quality standards are monitored and met at every step along the production chain. For example, we perform gold purity tests starting from the early stage of material sourcing. Our workers perform tests on the content of impurities by spectrometer and electrode brush. Only products passing through our purity standards can proceed to next stage of production. Through our gold purification and stringent testing processes, we strive to ensure the purity and authenticity of our gold jewellery products, which prevents sale of products which do not fulfil our gold purity standards and in turn, instills confidence in our consumers.

Building on our advanced production capabilities, we have achieved technical breakthroughs in carrying out digitalized mass production of gold products of 999.9 purity level. In 2019, we achieved breakthroughs in the production of gold spring clasps and became the first in the PRC to mass produce such products according to Frost & Sullivan.

Our Sales Channel

As of June 30, 2024, we established a sales network with over 2,850 franchise stores operated by 1,670 franchisees, 36 self-operated stores, seven self-operated direct service centers and 17 provincial-dealers, as well as online stores on major e-commerce platforms in our customer network.

We were ranked third in terms of gold jewellery revenue (excluding gold bullion) in third and lower tier cities amongst gold jewellery brands in the PRC in 2023 according to Frost & Sullivan. We believe our sales network positions us well to deepen our market penetration in markets with growth potential.

Our business model of having franchise stores across the PRC allows us to expand rapidly in third and lower tier cities. Our local franchise stores understand local preferences and can adjust product mix and be flexible with their marketing strategies, thereby enhancing consumer shopping experience. We believe that our franchisee network has helped us capture the growth potential of our targeted markets and deepen our market penetration, which is essential for long-term growth.

We believe our ability to provide high-purity gold jewellery products has consistently helped us to build a strong reputable brand. Our branding and reputation, in addition, attracts franchisees to join our franchise network and strengthens consumers' loyalty, both of which have been the foundation to our strong growth.

OUR PROCUREMENT/SUPPLIERS

Over the years, we have built a stable supply network for our main raw materials, mainly including gold and diamond. Apart from raw materials, we also procure finished goods and parts from suppliers as needed. The procurement of finished goods and parts constitute a de minimis portion of our total procurement.

According to our internal policy, our procurement department conducts multi-dimensional evaluations on newly selected suppliers, regularly evaluates the qualifications of our suppliers and eliminates unqualified suppliers to ensure all our requirements for external suppliers are met. During the Track Record Period, we did not suffer from shortages in the supply of raw materials from our suppliers and we do not anticipate any supply chain constraints that will materially and adversely affect our results of operations.

The following table sets forth the breakdown of our material costs:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Material costs	% to total material costs	Material costs	% to total material costs	Material costs	% to total material costs	Material costs	% to total material costs	Material costs	% to total material costs
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							(Unaudited)			
Gold	16,015,563	99.0	14,694,499	99.2	18,812,047	99.5	8,620,254	99.3	9,216,361	99.6
K-gold	67,104	0.4	33,303	0.2	42,245	0.2	25,672	0.3	20,183	0.2
Diamond	93,988	0.6	84,390	0.6	58,248	0.3	38,197	0.4	18,126	0.2
Others	5,937	—	5,016	—	3,671	—	2,706	—	31	—
Total	16,182,592	100.0	14,817,208	100.0	18,916,211	100.0	8,686,829	100.0	9,254,701	100.0

The following tables set forth the breakdowns of (i) the volume; (ii) the average carrying value; (iii) the comparison with PRC market price for our major categories of inventories (gold, k-gold and diamond) during the Track Record Period. We disregard the inclusion of (i) work in progress; (ii) consumables; and (iii) other categories of raw materials such as silver and platinum jewellery due to the insignificant amount of such products/materials.

Materials (including raw materials and consignment processing materials)

Inventory volume

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Gold (kg)	1,621.1	901.5	1,106.7	1,259.4
K-gold (kg)	112.5	151.4	149.0	147.6
Diamond (carat)(1)	5,062.4	3,117.1	3,404.7	3,375.4

Note:

(1) For diamond as raw materials, we normally purchase diamonds with carats as the unit of measurement.

Average carrying value and comparison with the closing gold price of Shanghai Gold Exchange

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the year	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the year	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the period	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the period
Gold (RMB/g)	329.0	–1.8	355.0	–8.2	414.3	–10.2	467.1	–19.5
K-gold (RMB/g)	248.6	N/A	260.6	N/A	245.4	N/A	268.7	N/A
Diamond (RMB/carat)	5,958.0	N/A	5,071.5	N/A	5,104.0	N/A	5,072.2	N/A

Products (including finished goods and goods in transit)

Inventory volume

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Gold products (kg)	3,635.7	3,041.7	3,389.6	2,463.0
K-gold products (kg)	353.0	260.3	344.0	211.5
Diamond inlaying jewellery products (unit)[(1)]	92,837.0	90,146.0	81,113.0	83,338.0

Note:

(1) For inventory volume of diamond inlaying jewellery products, only number of product units is available, as our finished diamond inlaying jewellery products, which contain diamonds and other precious metals such as gold, are measured and sold by product units instead of the weight of diamond.

Average carrying value and comparison with the closing gold price of Shanghai Gold Exchange

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the year	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the year	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the period	Average carrying value	Comparison with the closing gold price of Shanghai Gold Exchange on the last trading day of the period
Gold (RMB/g)	332.6	+1.8	351.2	–12.1	414.0	–10.5	461.4	–25.2
K-gold (RMB/g)	217.2(1)	N/A	265.6	N/A	271.1	N/A	290.5	N/A
Diamond (RMB/unit)	1,528.6	N/A	1,505.7	N/A	1,238.9	N/A	1,217.0	N/A

Note:

(1) As of December 31, 2021, certain K-gold jewellery was manufactured for third-party commissioners but not yet delivered to them, which were included in K-gold products. The corresponding inventory balances consist of only staff costs and overheads (raw materials are supplied by commissioners), while their quantities are included in the total quantities of K-gold products, resulting in the lower average carrying value of K-gold products. This does not indicate that the provision for inventories is inadequate or that the accounting policy has not been consistently applied.

In summary, the average carrying value of our gold materials/finished goods were generally lower than the closing gold price on the Shanghai Gold Exchange on the last trading day of the year/period during the Track Record Period. Such results were primarily attributable to the increasing trend in gold prices during the Track Record Period, with gold materials being purchased at a lower unit price than the market price of gold on the last trading day of the relevant year/period. Similarly, for certain years/periods during the Track Record Period, the average carrying value per gram of gold raw materials was higher than that of finished gold jewellery products, because at times when gold price is generally increasing, the gold prices of raw materials would be closer to the market price, which is generally higher than that of finished gold jewellery products as such products contained gold procured from a time when gold price was comparatively lower than the prevailing market price.

As gold prices generally trended upwards since 2022, we suffered material losses from Au (T+D) contracts and gold loans we entered into in 2022, 2023 and the six months ended June 30, 2023 and 2024. Such loss amounted to RMB209.1 million, RMB369.5 million, RMB195.3 million and RMB386.6 million for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. At the same time, we benefited from the higher selling price of our products, which were reflected in our gross profits and gross profit margins in the same period. However, as our inventories are measured at the lower of cost and net realizable value, the appreciation of our inventory as of December 31, 2022 and 2023, and June 30, 2023 and 2024 is not reflected in the value of our inventories. Given gold is highly liquid, had we sold all gold inventories (including gold and K-gold materials and finished products) at the closing gold price quoted on the Shanghai Gold Exchange on the last trading day of the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024 without taking into account the crafting fees we should be able to charge, we would record a gain of RMB52.1 million, RMB77.5 million, RMB60.8 million and RMB132.4 million for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024. Conversely, in 2021, we recorded gains from Au (T+D) contracts and gold loans in the sum of RMB88.6 million due to the decreasing trend in gold price during the year. Meanwhile, our gross profit margin derived from sales of gold products in 2021 was low due to low market price of gold. Had we sold all our gold inventories (including gold and K-gold materials and finished products) at the closing gold price quoted on the Shanghai Gold Exchange on the last trading date of 2021, disregarding the crafting fee we could have charged, we would incur a loss of RMB4.0 million.

Procurement of Gold

During the Track Record Period, all of our gold material was procured from the PRC, and we mainly source our gold through two means, namely (i) gold obtained from the Shanghai Gold Exchange and its members and (ii) obtaining used gold by way of accepting gold trade-in (including franchisee trade-in and consumer trade-in) as a settlement method to offset the amount of gold which our customers purchase from us. For details of gold trade-in, see "— Gold Trade-In". According to Frost & Sullivan, these are also the two common channels of gold sourcing in the PRC gold jewellery industry.

Gold Procurement Plan

Our procurement team determined the quantity of gold raw materials to be purchased mainly based on the sales volume data prepared by relevant sales personnel. Such data are prepared several times each day, and based on the actual sales volume our procurement team would make gold purchases at the spot price from the Shanghai Gold Exchange several times each day. We do not enter into long-term procurement contracts with the Shanghai Gold Exchange. Also, while our procurement team determined the quantity of gold raw materials to be purchased mainly based on the sales volume data prepared by relevant sales personnel, in accordance to our internal policy, our procurement department is to monitor the gold price on daily basis (amongst other measures), and such measures are to help us procure gold at appropriate prices. For further details on monitoring of gold prices please see "— (a) Gold obtained from the Shanghai Gold Exchange — Monitoring Gold Prices". During the Track Record Period, gold sourced through direct procurement was generally determined based on the prevailing trading price of the Shanghai Gold Exchange on the relevant trading day or the day for Au (T+D) (i.e. Trade + Delay) settlement. We implemented measures including financing gold procurement through gold loans and entering into Au (T+D) contracts to mitigate the risks associated with fluctuations in gold prices. These measures are carefully assessed based on funds available, our gold inventory position and estimated sales needs. For details of hedging, see "— (b) Gold Price Exposure Management to Manage Fluctuations of Raw Material Price" below.

The following table sets forth the breakdown of our sources of gold:

	Year ended December 31,						Six months ended June 30,	
	2021		2022		2023		2024	
	Amount of gold obtained	% to total amount of gold obtained	Amount of gold obtained	% to total amount of gold obtained	Amount of gold obtained	% to total amount of gold obtained	Amount of gold obtained	% to total amount of gold obtained
	(Kg)	(%)	(Kg)	(%)	(Kg)	(%)	(Kg)	(%)
Gold obtained from the Shanghai Gold Exchange								
• Direct procurement	23,027.1	46.5	23,480.1	55.9	30,325.5	62.0	13,357.8	66.6
• Gold loans obtained from commercial banks	1,795.0	3.6	1,390.0	3.3	1,589.0	3.2	730.0	3.6
Gold trade-in	24,766.4	49.9	17,158.4	40.8	16,987.7	34.8	5,969.5	29.8
Total	**49,588.5**	**100.0**	**42,028.5**	**100.0**	**48,902.2**	**100.0**	**20,057.3**	**100.0**

(a) *Gold obtained from the Shanghai Gold Exchange*

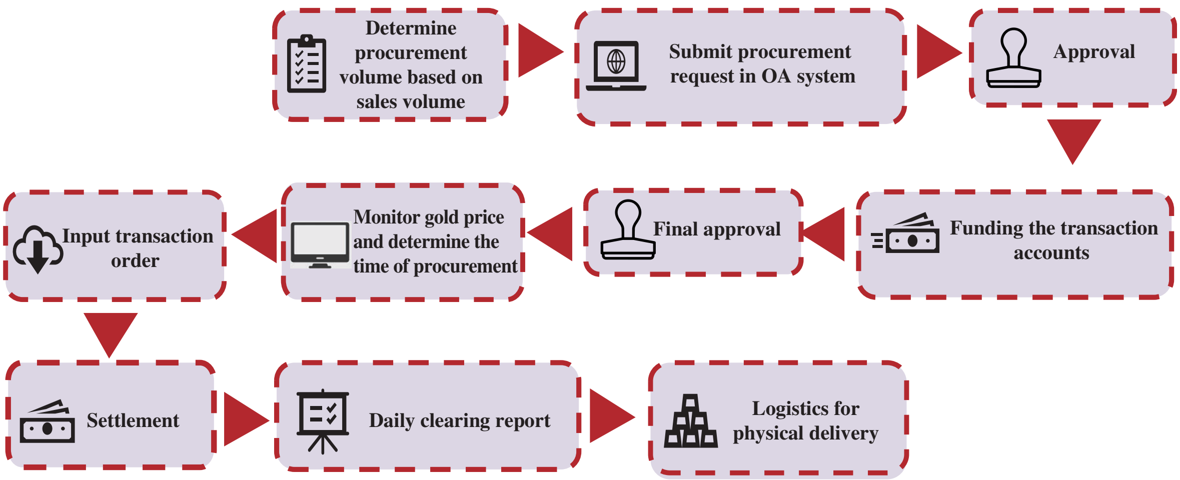
During the Track Record Period, we mainly purchased gold through our own Shanghai Gold Exchange's corporate account. The Shanghai Gold Exchange is the largest gold exchange in the PRC and directly regulated by the PRC government. The Shanghai Gold Exchange, as the central counterparty, uniformly organizes clearing and settlement for all transactions in the exchange system. We have been a special member of the Shanghai Gold Exchange since 2020, which gave us the right to directly purchase gold material from our special trading account on the Shanghai Gold Exchange. According to the Shanghai Gold Exchange Auction Trading Rules, only members (including special members) are allowed to trade directly on the Shanghai Gold Exchange, whereas non-members can only trade through members and special members. This structure grants members and special members the right to earn fees for facilitating non-members' trade. Through our membership with the Shanghai Gold Exchange, we achieved a procurement advantage by eliminating our dependence on other members for gold procurement and reducing our cost of sales as we no longer need to pay trade premiums to members of the Shanghai Gold Exchange. Moreover, the gold we procure from the Shanghai Gold Exchange is tested and certified, thus reducing uncertainties on quality of the gold we use for production of our gold jewellery products. During the Track Record Period, we also obtained gold from the Shanghai Gold Exchange through gold loans obtained from commercial banks. For further details, please refer to the section headed "— Gold Loans".

Monitoring Gold Prices

In accordance to our internal policy, our procurement department monitors the gold price on daily basis and conducts analysis based on various factors including the daily fluctuations in gold prices, order and trading volume of London gold, the difference between spot prices and futures or forward prices of gold, and the fluctuations in the exchange rate of RMB against the US dollar. For details of our gold procurement plan, please see "— Procurement of Gold — Gold Procurement Plan".

For details of our gold purchase amount from the Shanghai Gold Exchange, see "— Our Top Five Suppliers during the Track Record Period" below.

The following diagram sets forth our internal procedure of direct procurement of gold:



(b) ***Gold Price Exposure Management to Manage Fluctuations of Raw Material Price***

During the Track Record Period, to manage our exposure to changes in gold price, we implemented (i) a "procuring according to sales (以銷定採)" procurement strategy, and (ii) hedging strategies including financing our procurement of gold through gold loans and entering into Au (T+D) contracts on a daily basis. It is our strategy to enter into gold loans and Au (T+D) contracts, i.e. the short position, to substantially cover our inventory balance and the adoption of such hedging strategies allows us to avoid speculating against fluctuations in gold prices and focus on the development of our core operations in gold jewellery manufacturing and sales.

"Procurement According to Sales (以銷定採)" Procurement Strategy

We implement the strategy of "procuring according to sales (以銷定採)", whereby we purchase gold materials based on our daily sales volume to manage the potential adverse impact of mismatches between our gold procurement prices and sales prices. This approach allows us to maintain an inventory level by with stable inventory turnover days of 42.7 days, 45.6 days, 36.8 days and 40.8 days as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. We do not make gold procurements based on gold price movements alone, and thus, material movements in gold price do not substantially impact our gold inventory. We believe our "procuring according to sales (以銷定採)" strategy helps mitigate the potential adverse impact of mismatches between our gold procurement prices and sales prices.

Economic Hedge of Au (T+D) Contracts and Gold Loans

According to our gold price exposure management strategy, we implemented measures including financing our procurement of gold through gold loans and entering into Au (T+D) contracts on a daily basis to mitigate the risks associated with fluctuations in gold prices. These measures are carefully assessed based on funds available, our gold inventory position and projected sales needs. Our Directors believe that our multi-channel procurement and gold price exposure management strategies, through Au (T+D) contracts and gold loans, are effective in controlling and mitigating risks associated with gold price fluctuations.

Adoption of Au (T+D) contracts

Au (T+D) is a standardized contract employed by the Shanghai Gold Exchange. It involves the delivery of a predetermined amount of gold at a predetermined price on a specified future date. Investors in Au (T+D) do not buy or sell gold at the current market price. Instead, they need to set a price and quantity (i.e. create a position), and then in case there is a match of orders for the buying and selling of gold, the system will recognize the transaction, inform the buyer and seller and create a binding agreement between the parties accordingly. Au (T+D) transactions operate on a margin system, typically around 5-10%, allowing traders to make purchase of gold on margin and then to defer delivery if desired. According to Frost & Sullivan, the adoption of Au (T+D) is common among gold jewellery manufacturers in PRC.

We typically enter into Au (T+D) contracts on a daily basis as a seller to create a short position and choose for delay settlement on a future date. The contract amount of Au (T+D) is determined with reference to our current day's sales and procurement volume of gold materials. Au (T+D) contracts are settled on a daily basis. On each trading day of Au (T+D), if the gold price declines, we may experience a loss in the value of the gold jewellery sold, but simultaneously benefit from a realised gain on Au (T+D) contracts. Conversely, if the gold price rises, we may incur a loss on Au (T+D) contracts, but we can sell the gold jewellery at a higher price to realize the increase in gold price. In practice, the Au (T+D) contracts are marked-to-market by receiving from or paying to the counterparty the net gain or loss amount at each market trading date during the contract period with our deposits for margin.

During the Track Record Period, we did not engage in speculative activities that falls within the definition under HKFRS 9 for gold price exposure management. We employ economic hedges (i.e. derivatives that were used to manage risks but were not subject to hedge accounting treatment) to manage risks arising from gold price fluctuations with the objective to reduce and/or eliminate the effects of market gold price fluctuations. Our hedging instrument was not accounted for under hedge accounting, because (1) for accounting purpose, they do not meet the qualifying criteria for hedge accounting in accordance with HKFRS 9 "Financial Instruments" including at the inception of the hedging relationship there is no formal designation and documentation of the hedging relationship and our risk management objective and strategy for undertaking the hedge, (2) as the formal designation and documentation of hedging relationship are not allowed to be retrospectively adjusted under relevant HKFRSs, adoption of hedge accounting in the middle of the Track Record Period will cause the financial performance to be not comparable throughout the Track Record Period, and (3) many of our [REDACTED] peers does not adopt hedge accounting even if they also utilize similar hedging instrument.

The financial impact of our economic hedge of Au (T+D) and gold loans was reflected under "other gains and losses, net" in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. However, the appreciation or depreciation in the monetary value of our gold inventories may not necessarily be reflected in our net profit, as gold inventories were stated at the lower of cost and net realizable value in our consolidated statements of financial position. The timing difference between when we recognize the loss on Au (T+D) contracts and when we are able to fully realize the gains from the gold price portion of our sales (due to increase in gold price) may affect our results of operation. Below are examples to illustrate how our results of operations are affected.

Assuming:

- We procure 100 grams of gold at RMB5 per gram on Day 1;
- We enter into an Au (T+D) contract to sell 100 grams of gold at RMB5/gram on Day 2; and
- On Day 2 and Day 3 gold price rises to RMB10/gram.

Scenario One — On Day 2, we sell all 100 grams of gold

- Gross profit on gold price portion of the sales RMB(10–5)/gram * 100 grams = RMB500.
- We incur a loss of RMB500 on the Au (T+D) contract due to the rise in gold price.
- The gain we received from the gold price portion of our sales is cancelled out by our loss on the Au (T+D) contracts, and thus, the gold price fluctuation has **<u>no effect on our net profit</u>**.

Scenario Two — On Day 2, we sell 50 grams of gold, and sell the remaining on Day 3

- Day 2: Gross profit on gold price portion of the sales RMB(10–5)/gram * 50 grams = RMB250.
- Day 2: We incur a loss of RMB500 on the Au (T+D) contract due to the rise in gold price.
- Day 2: **Our net profit would be negatively impacted by RMB250** due to the increase in gold price.
- Day 3: We sell the remaining 50 gram of gold procured on Day 1 and make a profit of RMB250, **which positively impacts our net profit by RMB250 and cancels out the negative impact on our net profit on Day 2**.

While the adoption of seller position in Au (T+D) may negate the benefit from gold price increase, it prevents us from suffering from substantial losses in the event of material decrease in gold price.

Similarly for outstanding gold loans, if the gold price declines, we may experience a loss in the value of the gold jewellery sold, but simultaneously we may benefit from a fair value gain on such gold loans. Conversely, if the gold price rises, we may incur a loss on gold loans, but we can sell the gold jewellery at a higher price to realize the increase in gold price. As a result, the financial impact that comes with changes in the fair value of gold loans is evened out and does not materially impact our financial results adversely.

To ensure that our business is mitigated against the impact of the fluctuations in gold prices, we determine the total amount of Au (T+D) contracts largely based on our inventory level.

The following table sets forth the inventory and gold lent to customers positions of our Group against the balance of Au (T+D) contracts and gold loans, which we utilized for the purpose of managing the exposure of gold price fluctuation as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(Kg)	(Kg)	(Kg)	(Kg)
Long position				
Gold inventory	5,256.8	3,943.2	4,496.3	3,722.4
Gold lent to customers[(1)]	238.6	343.5	464.3	492.9
K-gold inventory[(2)]	465.5	411.7	493.0	359.2
Total balance	**5,846.8**	**4,597.6**	**5,332.9**	**4,486.4**
Short position				
Instruments for managing gold price fluctuations				
Remaining gold balance of Au (T+D) contracts	4,175.0	3,343.0	4,083.0	3,566.0
Remaining gold balance of gold loans	1,472.0	1,085.0	1,184.0	850.0
Total balance	**5,647.0**	**4,428.0**	**5,267.0**	**4,416.0**
Net exposure to gold price fluctuation	199.8	169.6	65.9	70.4

Notes:

1. For details, see "— Sales and Distribution Channels — Exhibition halls, gold lending arrangement and logistics arrangement".

2. For K-gold inventory, we adopted a conversion formula of 1Kg of 18K-gold to 0.755Kg of gold. Such conversion standard was our internal standard of 18K-gold which is higher than the national standard of 75.0 percent of gold content as we built in room for margin of error. Over 80% of our K-gold inventories at the end of each year during the Track Record Period were in 18K-gold.

To maintain the equilibrium on a daily basis, we adjust the volume of our Au (T+D) contracts based on (i) our sales volume reported by relevant sales personnel several times each day, which in turn determines the amount of gold we need to procure (excluding the total amount of traded-in gold for such day), and (ii) the amount of gold borrowed from relevant banks.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our Group had a net shortfall of 199.8kg, 169.6kg, 65.9kg and 70.4kg of gold inventory against the gold balances from Au (T+D) and gold loans, which were subject to gold price fluctuations, respectively.

Our Directors believe that our multiple-channels procurement and our gold price exposure management is effective in controlling and mitigating risks associated with fluctuations in gold price.

Accounting Treatment of Au (T+D) Contracts

The relevant accounting treatments of Au (T+D) contracts transactions are set out below:

(1) Day of entering into Au (T+D):

The amount of deposit is locked-up by the Shanghai Gold Exchange according to the deposit ratio (as margin for the margin system).

Debit: pledged/restricted deposits

Credit: Cash and cash equivalents — surplus deposits with Shanghai Gold Exchange

(2) At the end of each day's trading, the Shanghai Gold Exchange clears the member's profit and loss, deposit, handling fees and other payments, i.e. transferring of funds to/from the member's account. Our profit and loss for the day would be the sum of the profit and loss of closed positions and the profit and loss of held positions.

If gains, Debit: Cash and cash equivalents — surplus deposits with Shanghai Gold Exchange

Credit: other gains and losses, net

If Losses, Debit: other gains and losses, net

Credit: pledged/restricted deposits

In case our margin deposit is less than the minimum balance required by the Shanghai Gold Exchange, we should make up for the deposit.

Deferred fees and Transaction fees are recognized as "other gains and losses, net" when incurred.

Impact of Material Increase in Gold Prices on our Financial Condition and Business Operations

During the six months ended June 30, 2024, gold price trended upwards[(1)] and we incurred losses on our hedging activities of Au (T+D) contracts and gold loans. Such financial arrangements adversely impacted our net profit and net profit margin. Please see "— SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS — Selected items in our consolidated statements of profit and loss — Net profit and total comprehensive income". However, we do not expect the increase in gold prices to have a material adverse effect on our financial conditions and business operations in the long run.

No Material Adverse Impact on our Financial Condition in the Long-run

A material increase in gold prices in the short term led us to incur losses on Au (T+D) contracts and gold loans, as we were obligated to sell at the previously agreed-upon Au (T+D) gold prices, which were lower than the market prices at the time of settlement and thus negatively impacts our financial conditions.

However, such gold price movements are not expected to materially adversely affect our financial results in the long-run because we generally sell our products at a higher price as gold prices increase. Moreover, as gold products are highly liquid, we believe we are generally able to readily realize the aforementioned gains in the long-run, which then offset the losses incurred in the short-run with respect to the Au (T+D) contracts and gold loans. This can be further illustrated and supported by the fact that while the material increase in gold price led to adverse impacts on our net profit and net profit margin for the periods/months in which gold price rapidly increased, such negative effect were generally cancelled out by the end of June 2024, whereby our net profit for the six months ended June 30, 2024 amounted to approximately RMB52.3 million and our net profit margin was 0.5%.

Gold Price Changes and Impact on our Business Operations in the Long-run

The effect of an increase in gold prices on our business operations in the long-run largely depends on consumer sentiment. However, we generally do not expect an increase in gold prices to materially adversely impact our business operations in the long-run for the following reasons:

In general, a moderate increase in gold prices in the long-run supports consumer willingness to purchase gold products, leading to increased sales volumes, which then positively impacts our business operation. This is due to the fact that gold jewellery often not only embodies consumption value but is also considered by many consumers as a valuable investment due to its status as a safe-haven asset. A moderate appreciation in gold price would thus make gold products more appealing to consumers as they are deemed more valuable. According to Frost & Sullivan, at a time when the gold price steadily increases, such as from 2022 to 2023 when the average closing price of Au9999

(1) Gold price rose by approximately 13.7%, with the closing price of Au9999 increasing RMB483.7/g as of January 2, 2024, to RMB549.9/g as of June 28, 2024 (being the last trading day of the Track Record Period), according to the closing gold price quoted on the Shanghai Gold Exchange.

rose from RMB392.2/g in 2022 to RMB449.9/g in 2023, consumer interest in buying gold jewellery was generally strengthened as evidenced by an 8.0% increase in the consumption volume of gold jewelry in China during the same period.

On the other hand, a sharp short-term increase in gold prices, such as those experienced in March and April 2024, could lead to a reduction in sales volume, which in turn adversely impacts our business operations. This is due to the fact that a material increase in gold price could (i) deter potential consumers from purchasing gold products as gold products may be deemed too pricey, and (ii) cause consumers to divert their demand to alternative products. According to Frost & Sullivan, the rapid increase in gold prices during the six months ended June 30, 2024 adversely impacted the industry as a whole, whereby: (i) the consumption volume of gold jewellery in China for the first six months of 2024 dropped by 20.2% compared to the same period in 2023; and (ii) according to Frost & Sullivan, many of our peers' revenue decreased in the first six months of 2024 compared to the same period in 2023, with period-to-period decreases ranging from 0.9% to 33.3%. Our sales volume decreased by 10.4% for the six months ended June 30, 2024 when compared to the same period in 2023, which was better than the industry contraction of 20.2% (as aforementioned). At the same time, our revenue for the six months ended June 30, 2024 increased by 7.1% when compared to the corresponding period in 2023, which was also better than many of our industry peers who recorded negative revenue growth that ranged between 0.9% to 33.3% (as aforementioned).

In sum, it is possible that an increase in gold prices may cause our sales volume to decrease due to slower consumer demand for the aforementioned reasons. However, given the gold jewellery is deemed by many to have investment values, we do not expect an increase in gold price to materially adversely impact our business operations in the long-run.

Inventory and Working Capital

To ensure that we acquire gold at competitive market price and in accordance with the demands for our products, our management and procurement staff communicate regularly to estimate our gold procurement amount. We do not make gold procurement based on gold price movements alone. We implement a gold price exposure management strategy known as "procuring according to sales (以銷定採)" to mitigate the impact of the fast-moving gold prices and to manage the potential adverse impact of mismatches between our gold procurement prices and sales prices. This approach allows us to maintain an inventory level by purchasing gold material based on our daily sales volume. We continued to implement the "procuring according to sales (以銷定採)" strategy during the period of material gold price increase, and our inventory was not materially adversely impacted by the aforementioned change in gold price.

At the same time, the material increase in gold price did not materially adversely impact our working capital. This is supported by the fact that our net current asset as of June 30, 2024 only slightly decreased when compared to that of December 31, 2023. Please see "— Summary of Historical Financial Information and Summary of Major Financial Ratios — Selected items of consolidated statements of financial position — Net Current Assets" for further details of changes to our net current assets. In addition, our current ratio and quick ratio as of June 30, 2024 remained stable when compared to that of December 31, 2023, which we believe further illustrates that the material increase in gold price did not materially adversely impact our working capital.

Measures to mitigate short-term impact

To mitigate against the adverse impacts of sharp short-term increase of gold prices, we have implemented various measures to strengthen the sales of gold jewellery products so that we can more quickly realize the economic gains derived from selling our products at gold prices higher than the average procurement price as gold prices increase.

Our measures to strengthen sales include (i) launching the "One RMB Exchange" promotion between June and September for our franchisees, (ii) enhancing our promotional activities through online platforms, such as participating in more e-commerce shopping festivals and increasing our marketing efforts for online events, such as the "88 VIP Shopping Day", the "Double 11 Shopping Festival" (雙十一購物節), and the "Double 12 Shopping Festival" (雙十二購物節) e-commerce events on Tmall, JD.com, and PinDuoDuo, (iii) organizing at least two gold jewellery product exhibitions per month for our franchisees, (iv) holding a large-scale expo for our franchisees to celebrate the 30th anniversary of our Company, where we plan to offer promotions to boost sales volumes, and (v) initiating a promotional event that offers discounts on crafting fees to our franchisees, providing with increased profit margins to franchisees to further incentivize them to enhance sales. We believe such promotional events contributed positively to our financial results for the six months ended June 30, 2024, whereby we recorded a (i) 7.1% growth in revenue, and (ii) 16.9% growth in gross profit and 0.5% increase in gross profit margin, when compared to the corresponding period in 2023. Moreover, for the six months ended June 30, 2024, we recorded a net profit of RMB52.3 million and a net profit margin of 0.5%.

Procurement of Diamond

For diamond procurement, we normally purchase polished diamonds.

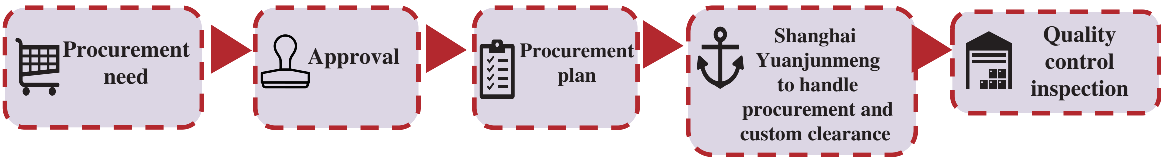
During the Track Record Period, we did not enter into any long-term agreements with minimum annual purchase amount for our procurement of diamonds.

(a) ***Overseas Procurement***

As outlined in the "Measures of the Customs of China on the Supervision of the Shanghai Diamond Exchange" (General Administration of Customs Order No. 152), the Shanghai Diamond Exchange has been designated as a special customs supervision unit authorized by the State Council. Its purpose is to facilitate the import and export of diamonds and streamline diamond trading procedures. Registered members of the Shanghai Diamond Exchange have the privilege of applying for customs clearance directly for diamond trading activities.

To fulfill our demands for diamond for production needs, we mainly source diamonds from Hong Kong, India and other foreign markets through our indirect wholly-owned subsidiary Shanghai Yuanjunmeng. Shanghai Yuanjunmeng, as a registered member of the Shanghai Diamond Exchange, is eligible for obtaining custom clearance for the diamonds we procured from foreign suppliers.

The procedures of procuring diamond from foreign suppliers are illustrated in the diagram below:



(b) ***Domestic Procurement***

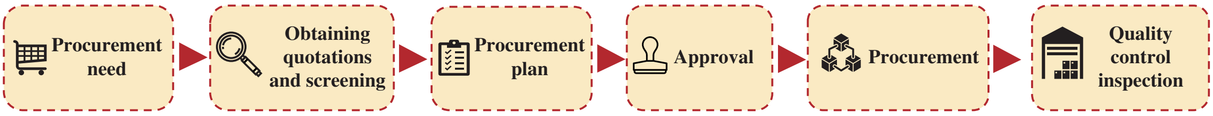
We also procure polished diamonds from domestic companies. Pursuant to the requirements of the "Shanghai Diamond Exchange Trading Rules" (《上海鑽石交易所交易規則》), companies may only enter into diamond trading transactions with other members of the Shanghai Diamond Exchange. Thus, we only purchase diamonds directly from suppliers who are also members of the Shanghai Diamond Exchange. The procedure of diamond procurement in the PRC is set out as follows:

The following table sets forth the geographic distribution of the sources where we procured diamonds from:

	Year ended December 31,						Six months ended June 30,	
	2021		2022		2023		2024	
	Amount of Diamond procured	% to total amount of diamond procured	Amount of Diamond procured	% to total amount of diamond procured	Amount of Diamond procured	% to total amount of diamond procured	Amount of Diamond procured	% to total amount of diamond procured
	(Carat)	(%)	(Carat)	(%)	(Carat)	(%)	(Carat)	(%)
PRC	359.2	3.6	2,484.3	82.7	843.9	84.6	347.2	100.0
Outside PRC	9,547.9	96.4	520.5	17.3	153.1	15.4	—	—
Total	**9,907.1**	**100.0**	**3,004.8**	**100.0**	**997.0**	**100.0**	**347.2**	**100.0**

Procurement of other auxiliary raw materials

Auxiliary raw materials we purchased mainly include K-gold patching. We do not rely on unique auxiliary materials which may only be sourced from limited supplies for production. We established a sound procurement management system and developed a strict supplier selection system to ensure that the source of purchased materials is legal and of good quality. During the Track Record Period, we did not enter into any long-term agreements for our procurement of other auxiliary raw materials. The specific procurement process for auxiliary raw materials is illustrated in the diagram below:



Our Top Five Suppliers during the Track Record Period

During the Track Record Period, our major suppliers were all gold suppliers and commercial banks who provided gold loans to us. Due to the fact that Shanghai Gold Exchange requires its members to make purchase on its trading platform with cash and on designated registered bank accounts, we sometimes procure gold directly from other fellow members of the Shanghai Gold Exchange, who offer us with more flexible or favorable payment methods and terms. These arrangements effectively diversifies our financing means in procuring gold and help better secure our raw material supply.

The table below sets out our Group's five largest suppliers of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, ranked in accordance with the total purchase by our Group during respective year/period:

Rank	Name of Supplier	Principal business and business profile	Products procured/services provided by supplier	Year of commencement of procurement from supplier	Cost paid to the supplier	Percentage to our total purchase	Settlement Method	Credit term
					(RMB$'000) (approximately)	(%) (approximately)		(day)s
For the year ended December 31, 2021								
1	Shanghai Gold Exchange	Gold Exchange	Gold bullion	2005	7,585,082[1]	90.9	Bank transfer	Prepayment
2	Industrial and Commercial Bank of China Limited Changle Branch	Commercial bank[2]	Gold loans	2007	143,879	1.7	Settlement in gold	Repay when due
3	China Zheshang Bank Co., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2017	121,409	1.5	Settlement in gold	Repay when due
4	China Minsheng Banking Corp., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2015	120,764	1.5	Settlement in gold	Repay when due
5	Ping An Bank Co., Ltd. Qingdao Maidao Road Branch	Commercial bank[2]	Gold loans	2013	102,988	1.2	Settlement in gold	Repay when due
Total					**8,074,122**	**96.8**		
For the year ended December 31, 2022								
1	Shanghai Gold Exchange	Gold Exchange	Gold bullion	2005	8,050,182[1]	93.2	Bank transfer	Prepayment
2	Industrial and Commercial Bank of China Limited Changle Branch	Commercial bank[2]	Gold loans	2007	194,211	2.3	Settlement in gold	Repay when due
3	China Zheshang Bank Co., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2017	122,490	1.4	Settlement in gold	Repay when due
4	China Minsheng Banking Corp., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2015	106,559	1.2	Settlement in gold	Repay when due
5	Bank of Beijing Co., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2019	55,284	0.6	Settlement in gold	Repay when due
Total					**8,528,726**	**98.8**		

Rank	Name of Supplier	Principal business and business profile	Products procured/services provided by supplier	Year of commencement of procurement from supplier	Cost paid to the supplier	Percentage to our total purchase	Settlement Method	Credit term
					(RMB$'000) (approximately)	(%) (approximately)		(day)s
For the year ended December 31, 2023								
1	Shanghai Gold Exchange	Gold Exchange	Gold bullion	2005	11,162,603[1]	87.6	Bank transfer	Prepayment
2	Yantai Penggang Gold Industry Co., Ltd. (煙台蓬港金業有限公司)	Calendering of non ferrous metals; precious metal smelting, sales of gold and silver products and manufacturing of jewellery	Gold bullion	2023	795,612	6.2	Bank transfer and settlement in banks acceptance bills	Prepayment
3	Industrial and Commercial Bank of China Limited Changle Branch	Commercial bank[2]	Gold loans	2007	194,945	1.5	Settlement in gold	Repay when due
4	China Minsheng Banking Corp., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2015	134,435	1.1	Settlement in gold	Repay when due
5	China Zheshang Bank Co., Ltd. Weifang Branch	Commercial bank[2]	Gold loans	2017	122,485	1.0	Settlement in gold	Repay when due
Total					**12,410,080**	**97.4**		

Rank	Name of Supplier	Principal business and business profile	Products procured/services provided by supplier	Year of commencement of procurement from supplier	Cost paid to the supplier	Percentage to our total purchase	Settlement Method	Credit term
					(RMB$'000) (approximately)	(%) (approximately)		(day)s
For the six months ended June 30, 2024								
1	Shanghai Gold Exchange	Gold Exchange	Gold bullion	2005	5,327,946	83.4	Bank transfer	Prepayment
2	Yantai Penggang Gold Industry Co., Ltd. (煙台蓬港金業有限公司)	Calendering of non ferrous metals; precious metal smelting, sales of gold and silver products and manufacturing of jewellery	Gold bullion	2023	627,439	9.8	Bank transfer and settlement in banks acceptance bills	Prepayment
3	Industrial and Commercial Bank of China Limited Changle Branch	Commercial bank(2)	Gold loans	2007	145,859	2.3	Settlement in gold	Repay when due
4	China Minsheng Banking Corp., Ltd. Weifang Branch	Commercial bank(2)	Gold loans	2015	134,611	2.1	Settlement in gold	Repay when due
5	Bank of Beijing Co., Ltd. Weifang Branch	Commercial bank(2)	Gold loans	2019	66,340	1.0	Settlement in gold	Repay when due
Total:					**6,302,195**	**98.6**		

Notes:

(1) The amount included our procurement through fellow member(s) of the Shanghai Gold Exchange.

(2) Commercial banks are considered as our suppliers because (1) we obtain the right to take delivery of gold from commercial banks although we receive physical gold from the Shanghai Gold Exchange; and (2) Since we gain control of the gold and the manufactured gold jewellery products can be sold to generate economic benefits, with the associated costs reliably measured, we classify such gold as inventory. Purchases made for the return of gold loans are not double-counted as direct purchases from the Shanghai Gold Exchange. For details of our purchase through gold loan contracts, please refer to the section "Business — Gold loans".

Procurement Through Fellow Member(s) of the Shanghai Gold Exchange

During the Track Record Period, we procured gold on the Shanghai Gold Exchange through two of its fellow members, namely 中國珠寶首飾進出口股份有限公司(China National Pearl Diamond Gem & Jewellery Imp. & Exp. Corporation, also known as "**Sino Gem**") and Yantai Penggang Gold Industry Co., Ltd. (煙台蓬港金業有限公司, "**Penggang Gold**").

Sino Gem is a state-owned enterprise primarily engaged in the export/import, production and sales of jewellery products in China. It is listed on the National Equities Exchange and Quotations with stock code: 872775.NQ.

In each of the years/period during the Track Record Period, our procurement of gold on the Shanghai Gold Exchange through Sino Gem amounted to RMB2,716.2 million, RMB932.7 million, RMB1,087.9 million and RMB379.4 million, respectively, and the amount due to it as of December 31, 2021, 2022 and 2023 and June 30, 2024 was nil, nil, nil and nil, respectively.

Penggang Gold is a private company established in the PRC. It primarily engages in calendaring of non-ferrous metals, precious metal smelting, sales of gold and silver products and manufacturing of jewellery.

We did not purchase from Penggang Gold for the years ended December 31, 2021 and 2022, and accordingly, the purchase amount and amount due to Penggang Gold for both years and as of December 31, 2021 and 2022 were nil. As disclosed in the top five suppliers of our Group above, the purchase amount paid to Penggang Gold for the year ended December 31, 2023 and the six months ended June 30, 2024 were RMB795.6 million and RMB627.4 million, whereas the amount due to Penggang Gold as of December 31, 2023 and June 30, 2024 was nil and nil.

The major terms of our procurement from Sino Gem and Penggang Gold are set out as follows:

Procurement arrangement:	Sino Gem and Penggang Gold will procure gold bullion for our Company through its membership with Shanghai Gold Exchange. For procurement through Sino Gem, sub-account will be established under Sino Gem's membership with the Shanghai Gold Exchange. Payment for the procurement of gold bullion shall be made through an account under Sino Gem's name. Payment by our Company made to such sub-account can only be applied to settle the consideration for gold procurement from Shanghai Gold Exchange. As for procurement from Penggang Gold, the purchase consideration will be settled by bank transfer and settlement in banks acceptance bills.
Term:	The term of the procurement arrangement agreement with Sino Gem usually lasts for a year.

Fees:	A handling fee of 0.007% of the total purchase amount will be applied to the gold bullion purchase transactions through Sino Gem. For procurements through Penggang Gold, no fees were charged by Penggang Gold.

When we procure from Sino Gem and Penggang Gold, we could utilize capital from credit lines designated for such purchases, which provide us with greater flexibility in financing our gold procurement. In addition, we believe procuring from Sino Gem and Penggang Gold is beneficial to our business as such arrangement diversifies our gold supply channels.

According to Frost & Sullivan, our procurement arrangement with fellow members of the Shanghai Gold Exchange is common and in line with the industry norm. Our Directors are of the view that given (i) the Group's procurements from other members of the Shanghai Gold Exchange are permitted by the Shanghai Gold Exchange and are thus legal and valid transactions; (ii) save for the 0.007% handling fee paid to Sino Gem, the Group does not pay a premium to the relevant members of the Shanghai Gold Exchange for gold procurement; (iii) the quality of the gold received and the time required for procurement are comparable to direct procurement from the Shanghai Gold Exchange; and (iv) such members of the Shanghai Gold Exchange may accept more diversified payment methods, the financial, operational and legal risks and costs associated with procuring through fellow members of the Shanghai Gold Exchange are considered manageable, and coupled with the fact that procurement from other members allow us to diversify our source of gold procurement, our Directors consider it is beneficial for our Group to procure gold from other members of the Shanghai Gold Exchange.

Reliance on Shanghai Gold Exchange for gold procurement

During the Track Record Period, the amount paid to Shanghai Gold Exchange amounted to RMB7,585.1 million, RMB8,050.2 million, RMB11,162.6 million and RMB5,327.9 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, representing 90.9%, 93.2%, 87.6% and 83.4% of our total purchase of the respective year/period. All our purchases from the Shanghai Gold Exchange during the Track Record Period were procurement of gold bullion.

According to Frost & Sullivan, the Shanghai Gold Exchange is the largest gold exchange in the PRC and is directly regulated by the PRC government, purchasing gold from the Shanghai Gold Exchange is an industry norm in the gold jewellery industry. Given the various restrictions on importing gold from overseas, our Directors are of the view that procurement from the Shanghai Gold Exchange is the most reliable source of procurement in the PRC. Furthermore, only members (including special members) of the Shanghai Gold Exchange are allowed to trade directly on the Shanghai Gold Exchange. Our capability to trade on the Shanghai Gold Exchange provides us a competitive advantage, allowing us to access a stable source of gold procurement at market prices as opposed to entities without such status which would be required to procure at higher prices from members of the Shanghai Gold Exchange. Accordingly, our Directors are of the view that our reliance on the Shanghai Gold Exchange is reasonable and aligns with the industry practice, and is in the best interest of the Company as a whole to continue purchasing gold from the Shanghai Gold Exchange.

In the event of a disruption in our procurement of gold from the Shanghai Gold Exchange, given that gold is a commonly traded commodity, our Directors are of the view that we can shift to other procurement sources. During the Track Record Period, we not only procured gold directly from the Shanghai Gold Exchange, but also obtained gold through gold trade-in and other suppliers. In particular, by leveraging our gold purification capabilities, gold trade-in remains a viable method of sourcing gold. Hence, in the unlikely event that we require an immediate source of gold, we have the flexibility to increase the percentage of gold obtained through gold trade-in.

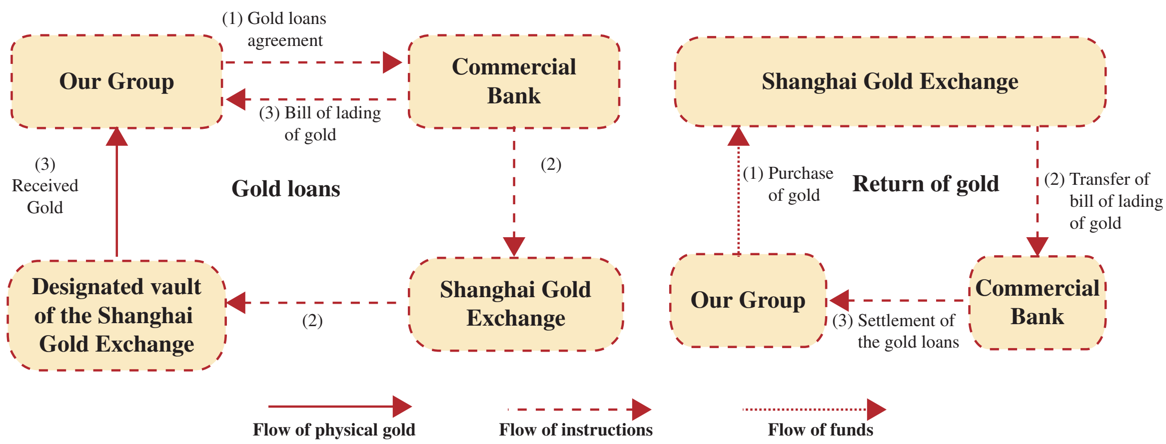
Amounts paid to our five largest suppliers of each of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 accounted for approximately 96.8%, 98.8%, 97.4% and 98.6% of our total purchase for the respective year/period. None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers of each year/period during the Track Record Period. None of our five largest suppliers were also our customers of each year/period during the Track Record Period.

GOLD LOANS

During the Track Record Period, we financed our procurement of gold from the Shanghai Gold Exchange by way of gold loans obtained from commercial banks. Gold loans refer to financial transactions in which we (as lessee) borrow gold from commercial bank (the lessor) for a specified period of time. During the process, we receive physical gold through the membership service system of the Shanghai Gold Exchange (上海黃金交易所的會員服務系統) and we pay the commercial banks an interest on the leased gold. At the end of the loan period, we return the borrowed gold to the commercial banks by delivering contracts of fully paid gold that we purchase from the Shanghai Gold Exchange. We normally adopt gold loans as a means of financing our procurement of gold when we intend to procure gold by way of banking facilities of gold loans. This approach allows us to preserve our cash for working capital and avoid the need for physical gold delivery when returning gold to commercial banks. Our standard practice is to return gold to these banks through the transfer of the bill of lading of gold purchased from Shanghai Gold Exchange, ensuring convenience and efficiency.

While gold loans are not our primary tool for managing risks arising from gold price fluctuations, they can effectively act as an economic hedge against such fluctuations. For instance, once we obtain a gold loan, we effectively create a short position on our gold holding position as we are obligated to return the gold loan at a later date. As an illustration, if the market price of gold decreases when we repay the gold loan, we would earn a profit resulting from the price difference between the borrowing and repaying date, offsetting the loss we suffer due to lower selling price of our products which are based on the market price of gold.

The following diagram sets forth our gold loans procedure:



GOLD TRADE-IN

Background

Gold, our main raw material, is a scarce resource and at times has a volatile market price. Sufficient source of gold is of utmost importance to our operation and business. To better ensure stable supply and inventory of gold, we also procure gold on an on-going basis through trade-in of used gold from our customers. We collect used gold through gold trade-in from both our franchisees/provincial-dealers and end-consumers. According to Frost & Sullivan, trade-in of gold by consumers for new gold products is a common market practice. According to Frost & Sullivan, sourcing gold through trade-in is common amongst gold jewellery manufacturers and brands, and some of our industry peers have also adopted similar gold trade-in model with franchisees and consumers that are comparable to ours. However, due to the cost associated with gold purification and the fact that many of our industry peers do not have such capability, according to Frost & Sullivan, not all of our industry peers engage in gold trade-in at the level which we conducted gold trade-in during the Track Record Period. Leveraging our gold purification capabilities we are able to efficiently purify gold sourced through trade-in which we then use as raw materials for our new jewellery products.

Our revenue breakdown by payment methods and trade-in gold during the Track Record Period were as follows:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Consideration paid by settlement method	Percentage to total revenue	Consideration paid by settlement method	Percentage to total revenue	Consideration paid by settlement method	Percentage to total revenue	Consideration paid by settlement method	Percentage to total revenue
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Cash	6,448.2	0.0	5,283.5	0.0	8,548.6	0.0	5,776.4	0.1
Bank transfer	8,579,022.4	50.9	9,541,660.7	60.7	12,721,114.7	62.9	6,756,708.0	67.7
Electronic payment	84,897.3	0.5	247,924.1	1.6	640,365.2	3.2	429,071.6	4.3
Trade-in gold	8,188,841.3	48.5	5,894,106.0	37.5	6,806,723.6	33.7	2,760,021.3	27.6
Other non-cash settlement method(Note)	11,790.9	0.1	35,240.4	0.2	31,847.0	0.2	28,166.3	0.3
Total	16,871,000.1	100.0	15,724,214.7	100.0	20,208,599.1	100.0	9,979,743.7	100.0

Note: Other non-cash settlement method includes concessionaire expenses for self-operated stores under concession agreements with shopping malls and diamond inlaying product exchange adjustment.

Commercial rationale for conducting gold trade-in

Conducting gold trade-in is beneficial to us in the following ways:

1. Receiving gold from trade-in diversifies our source of gold supplies and helps ensure sufficient access to gold without substantial upfront cash outflow as required when purchasing gold from Shanghai Gold Exchange or other suppliers.

2. In addition, the trade-in arrangements allow us to mitigate the timing difference on gold price between the procurement and selling of gold, as we can align the procurement gold prices and the sales gold prices according to the gold spot price simultaneously so that they are substantially the same, thereby, reducing the potential risks that comes with gold price fluctuations. The trade-in arrangements are also used for reducing our use of gold loans, which is interest bearing.

3. We are able to further garner franchisees, provincial-dealers and consumer loyalty. Our ability to process gold received from gold trade-in and our strong production capability is why we can offer consumer trade-in, and in turn, provincial-dealers offering franchisee trade-in and franchisees offering consumer trade-in. This allows consumers to lower the purchase price of new gold jewellery by exchanging their used gold. They only need to pay for the crafting fees and the price associated with the difference in gold volume

being traded in. This significantly reduces the cost required to be paid upfront for purchasing new gold jewellery and serves as an incentive for consumers to make repeated purchase from us.

4. Receiving gold from gold trade-in is a recycling measure and matches with the ESG philosophy.

5. With our gold purification know-how, we can reproduce high-purity gold jewellery products with such trade-in gold while ensuring product quality.

6. Apart from normal day to day gold trade-in, we implement promotional activities such as the "One RMB Exchange" promotion, which franchisees may accept consumer trade-in of the "Wan Purity" gold series products previously purchased for new pieces of "Wan Purity" series gold jewellery of the same weight at a nominal crafting fee of one RMB per traded-in gram of gold with our franchisees or at our self-operated stores, and market gold price of any addition of gold purchased and regular crafting fee for additional gold purchased. Accordingly, consumers can enjoy the benefits of purchasing new pieces of gold jewellery while franchisees also benefit from consumer flow during such promotion events. This initiative is designed to enhance brand loyalty and encourage consumers to select us or our franchisees to conduct consumer trade-in. By further incentivizing consumers to select us for consumer trade-in with high-purity gold jewellery purchased from us, we aim to capture their loyalty and foster repeated purchases with our brand in the future. This strategy not only strengthens our consumer base but also promotes ongoing engagement and long-term relationships with our consumers.

Comparison Against Our Peers

According to Frost & Sullivan, the proportions of gold trade-in to total revenue for our peers for the three years ended December 31, 2023 are presented below:

	Year ended December 31,		
	2021	2022	2023
Competitor A	approximately 15%	approximately 15%	approximately 20%
Competitor B	approximately 25%	approximately 20%	approximately 30%
Competitor C	approximately 45%	approximately 45%	approximately 50%
Competitor D	approximately 30%	approximately 30%	approximately 30%
Competitor E[(Note)]	approximately 20%	approximately 25%	approximately 30%
Our Group	47.9%	36.9%	33.1%

Note: Competitor E in the table does not have gold purification capabilities.

The table sets forth the proportion of trade-in gold as settlement to the overall sales by weight among our industry peers for the three years ended December 31, 2023:

	Year ended December 31,		
	2021	2022	2023
Competitor A	approximately 14%	approximately 12%	approximately 15%
Competitor B	approximately 20%	approximately 18%	approximately 25%
Competitor C	approximately 40%	approximately 40%	approximately 50%
Competitor D	approximately 28%	approximately 25%	approximately 30%
Competitor E	approximately 20%	approximately 20%	approximately 25%
Our Group*(Note)*	51.1%	39.7%	35.2%

Note: The proportion of trade-in gold was calculated by weight of trade-in gold we received (without conversion adjustment for K gold products) divided by our overall sales volume of gold and K-gold products (without conversion adjustment for K gold products) times 100%.

According to Frost & Sullivan, in contrast to our peers, we believe our gold purification capability gives us a comparative advantage, we are fully equipped to conduct gold trade-in transactions. The proportion of our trade-in gold used as settlement to overall sales by weight was higher than our industry peers in 2021, primarily attributable to our purification ability, which enables us to collect a higher proportion of used gold as our production raw materials. After we strengthened our control of trade-in gold in 2022, this figure decreased from 51.1% in 2021 to 39.7% in 2022, and further to 35.2% in 2023. For the six months ended June 30, 2024, the proportion of our trade-in gold used as settlement to overall sales by weight was 28.8%. According to Frost & Sullivan, these proportions were within the range observed among our industry peers, which varied from approximately 12% to 40% in 2022 and from 15% to approximately 50% in 2023.

According to Frost & Sullivan, of all our competitors in the table above, Competitor A is the only industry player whose customers comprise end-consumers only; while all other competitors in the table above sell their products to end-consumers and franchisees and/or provincial-dealers. The proportion of trade-in gold as settlement to the overall sale by weight of Competitor A remained at the lower-end among industry peers throughout the Track Record Period. According to Frost & Sullivan, provincial-dealers and franchisees usually have extra source of obtaining used gold through their retail channels, thereby attributing to higher proportion of trade-in gold as settlement of the gold jewellery manufacturers whose customers comprise both franchisees/provincial-dealers and end-consumers.

One RMB Exchange Program

Our Revenue and Gross Profit Margin attributable to the "One RMB Exchange" Program

The following table sets forth the revenue, gross profit and gross profit margin we derived from and/or for the "One RMB Exchange" program through different distribution channels for the years ended December 31, 2021, 2022 and 2023*(Note)* (excluding the revenue and gross profit we generated from sales of additional gold jewellery sold together with the gold jewellery exchanged for traded-in gold):

	Year ended December 31,								
	2021			2022			2023		
	Revenue	Gross Profit/ (Loss)	Gross profit margin	Revenue	Gross Profit/ (Loss)	Gross profit margin	Revenue	Gross Profit/ (Loss)	Gross profit margin
	(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(%)
Sales to provincial-dealers	914,610	4,305	0.5	872,031	(4,782)	(0.5)	1,031,388	21,519	2.1
Sales to franchise stores	1,962,495	9,172	0.5	2,043,545	15,703	0.8	2,355,117	15,491	0.7
Self-operated stores	44,693	(1,748)	(3.9)	50,244	(712)	(1.4)	60,551	1,614	2.7
Total:	2,921,798	11,729	0.4	2,965,820	10,209	0.3	3,447,056	38,624	1.1

The fluctuation in the gross profit margin for our sales derived from the "One RMB Exchange" program is primarily attributable to the changes in gold prices. As gold price increases, our gross profit margin also increases due to the difference in gold price at the time of procurement of gold as raw materials, during which the gold price is lower, and at the time of sales of the gold jewellery, during which the gold price is higher. The increasing trend of the gross profit margin for our sales derived from the "One RMB Exchange" program was generally in line with that of our overall gross profit margin.

Rationale and Benefits of the "One RMB Exchange" program

Although the gross profit margin for the "One RMB Exchange" program (excluding sales of additional gold jewellery sold during the "One RMB Exchange" program) is relatively lower compared to our overall gross profit margin, the management of our Company considers the launching of the annual "One RMB Exchange" program desirable for the Company as a whole due to (i) the additional sales we may generate from the program, and (ii) the promotional nature of the "One RMB Exchange" program.

Improved performance at our self-operated store level during the "One RMB Exchange" program

Apart from the additional weight of gold purchased (the weight of new product sold minus the weight of trade-in product) as a result of the exchange, when end-consumers visit our self-operated stores during the "One RMB Exchange" program, some of them also purchase additional gold jewellery. The increase in footfall at our self-operated stores during the promotional period extends our reach to end-consumers and offers us more opportunities to promote our products.

Note: Disclosures have been made for the years ended December 31, 2021, 2022 and 2023 only, as information regarding the "One RMB Exchange" program for the year ended December 31, 2024 is not yet available. The "One RMB Exchange" program is generally held in the second half of each year.

As disclosed in the section headed "History, Development and Corporate Structure — Previous A-Share applications — The First A-Share Application — (1) We believe we have a sound business rationale for our gold trade-in and "One RMB Exchange" activities — CSRC's concerns in relation to "One RMB Exchange" — Economic benefits to franchisees", the average monthly sales volume of our "Wan Purity" series products and the average monthly sales revenue we generated from all products in our self-operated stores during the "One RMB Exchange" promotional period were significantly higher than that of our overall monthly average throughout the Track Record Period.

Accordingly, our management is of the view that the increases in both sales volume and sales revenue in our self-operated stores during the promotional period reflected that our "One RMB Exchange" program in fact contributed positively to our financial performance as well as our franchise values.

Based on the financial results of our self-operated stores in connection with the "One RMB Exchange" program and given the largely similar sales and operational model between our self-operated stores and franchise stores, our Directors are of the view that "One RMB Exchange" program is largely beneficial to the Group's franchisees. Please refer to the section headed "History, Development and Corporate Structure — Previous A-Share applications — The First A-Share Application — (1) We believe we have a sound business rationale for our gold trade-in and "One RMB Exchange" activities — CSRC's concerns in relation to "One RMB Exchange" — Economic benefits to franchisees" for further details.

Promotion of brand awareness and enhancing customer stickiness

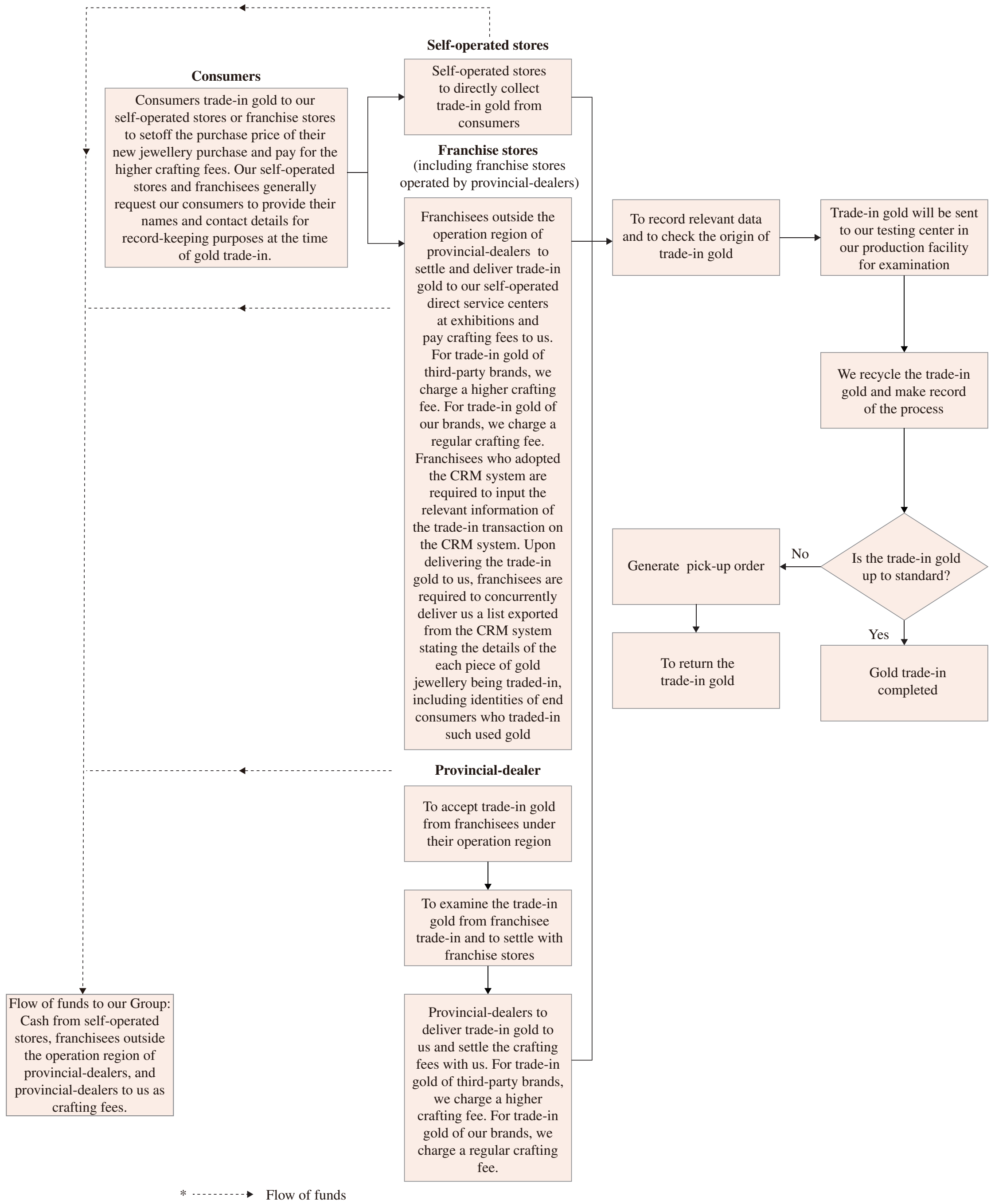
The "One RMB Exchange" program was launched with a view to raise brand awareness and enhance customers stickiness instead of serving as a solely profit-oriented program. Promotional activities often garner attention among consumers and such increased publicity raises brand awareness, which in turn, result in increased customer interest, word-of-mouth recommendations, and long-term benefits for our brand. In addition, with such annual promotional event, we offer economic incentives to customers to buy our "Wan Purity" series products as they may benefit from acquiring gold jewellery with newer designs through our "One RMB Exchange" program in the future. Accordingly, this may serve as a unique competitive edge of our products over our competitors' products.

In light of the above, the management of our Company is of the view that the launching of the annual "One RMB Exchange" program is desirable for the Company as a whole.

Gold Trade-in Operation, Inventory and Fund Flow

From time to time, our franchisees receive consumers' trade-in gold as part of the consideration for the consumers' purchase. Our franchisees then conduct trade-in with provincial-dealers and our self-operated direct service centers after receiving trade-in gold from their consumers. The aforementioned trade-in gold is then used to offset part of the payment by our franchisees to provincial-dealers and self-operated direct service centers, as the case may be. Subsequently, our provincial-dealers conduct gold trade-in and pay crafting fees to us, while our self-operated direct service centers conduct gold trade-in to offset the gold price component of the products and pay crafting fees directly to our Company, which is an intra-group transaction. We consider gold trade-in a form of non-cash settlement arrangement between our customers and us, rather than a direct purchase of gold from them. Gold jewellery and other gold products constituted substantially all of the used gold received through gold trade-in. K-gold jewellery constituted a de minimis portion of the total amount of used gold we received, and accounted for less than 0.1% of the used gold we received during the Track Record Period. We do not accept trade-ins of diamond-inlaid jewellery or other products.

The following diagram sets forth the operation and inventory and fund flow of our procedure of gold trade-in:



For illustration purposes:

Transaction between End Consumer and Franchisees:

- End consumers trade in their used gold products at our franchise stores, at which time end consumers generally pay for the additional weight of the new gold plus the crafting fees for the whole weight of the new products to our franchisees.

- After a careful on-site inspection of the used gold by our franchisees, the relevant end consumers then immediately receive the new gold jewellery. For details of the testing of trade-in gold and our implementation of quality controls, please see "— Gold Trade-in — Testing of trade-in gold."

Transaction between Franchisees and our Group

- Generally within one week after the receipt and acceptance of the used gold, our franchisees would deliver the trade-in gold to our provincial-dealers or directly to us as settlement of their purchases of new gold products, as applicable, and settle the crafting fees with us.

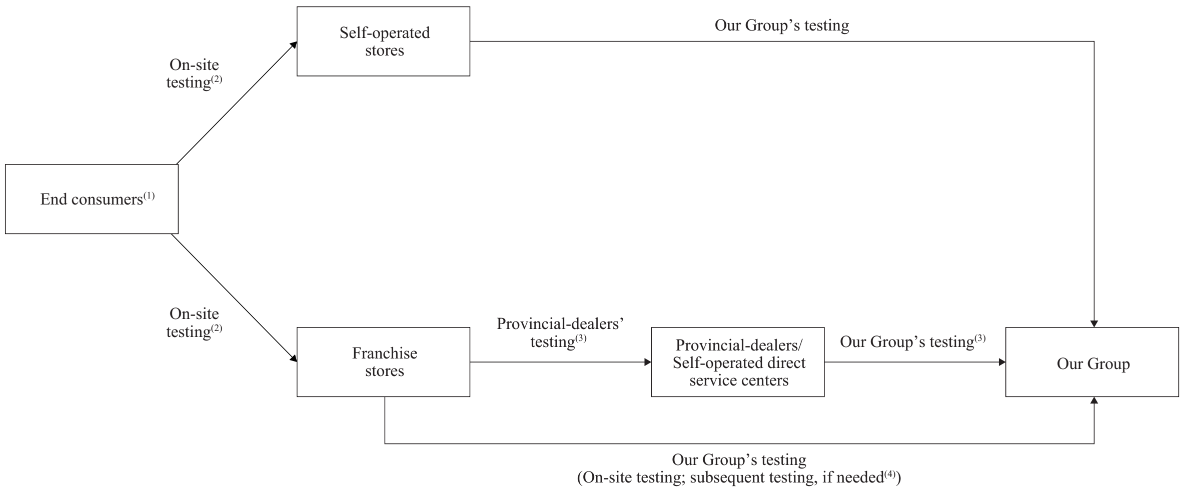
- After we test the trade-in gold and ensure that the gold traded-in meets our standard, our franchisees would receive the new gold jewellery on the same day.

During the Track Record Period, trade-ins in which we are one of the counterparties include: (i) with provincial-dealers and franchisees, and (ii) with consumers (through our self-operated stores). We do not provide cash payments to gold trade-in counterparties, and all gold jewellery acquired through gold trade-in will not be directly re-sold to any provincial-dealers/franchisees and will be sent to our production facilities for refining and production. During the Track Record Period, most of the gold trade-ins for our Group were conducted with provincial-dealers and franchisees and to a lesser extent with consumers through our self-operated stores. Gold trade-in without involving our Group as a counterparty includes gold trade-in (i) between franchisees and provincial-dealers, and (ii) between consumers and franchisees. Please see "— Sales and Distribution Channels — Pricing Policy" for further details on how we determine crafting fees for our products. The number of franchisees who conducted gold trade-in with us were 753, 727, 692 and 729 in each year/period during the Track Record Period and there were 17 provincial-dealers who used gold trade-in to settle with us during the same period. We do not impose any limits or restrictions on the amount of gold trade-in by provincial-dealers and franchisees for the following reasons: (i) trade-in gold is a source of our raw materials, which we then use as raw materials for our gold jewellery products; and (ii) leveraging our gold purification capabilities, we are able to efficiently purify and process gold sourced through trade-ins. During the Track Record Period and as of the Latest Practicable Date, there was no concentration of customers/franchisees who repeatedly conducted gold trade-in.

Apart from the difference in settlement means, our business arrangement with franchisees who conducted gold trade-in with us was the same as that of those which did not conduct gold trade-in with us. We enter into the same franchise agreement with all franchisees, regardless of whether or not they will conduct gold trade-in with us.

(i) ***Testing of trade-in gold***

We place great importance on the quality of the trade-in gold we receive and implement quality controls to ensure that the trade-in gold meets our standards. The following diagram sets forth the process and examination procedure for gold trade-in among end consumers, franchise network and our Group:



Notes:

(1) End consumers may trade in products with any entity within our franchise network, not limited to the relevant franchisee from whom the product was originally purchased. In addition, the trade-in procedure is generally uniform across the entire franchise network.

(2) If the trade-in gold does not meet our standards, it will be rejected by our franchisees and self-operated stores.

(3) The timing of delivery from franchise stores to provincial-dealers depends on the frequency of pick-ups among them.

(4) In certain cases, we test the gold purity with hydrostatic weighing method to determine the density and purity of the gold.

Our franchisees and self-operated stores typically conduct on-site testing and examinations of the trade-in gold provided by end consumers. If the trade-in gold does not meet our standards, our franchisees and self-operated stores will directly reject those trade-in gold. We do not release the new gold products to end consumers prior to the completion of the required on-site testing.

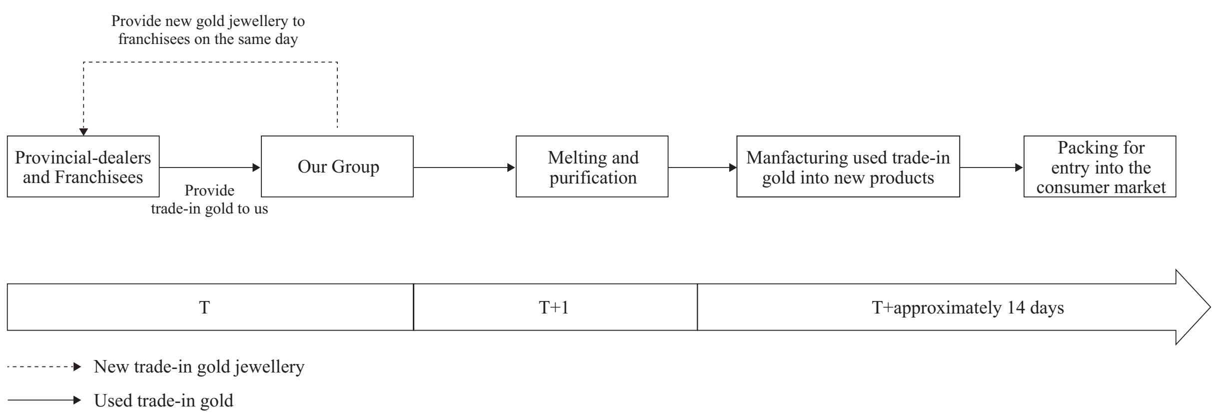
The on-site testing and examinations conducted by our franchisees and self-operated stores include (i) checking the identification, brand, warranty certificate and purchase proof of the trade-in gold as a preliminary inspection; (ii) testing the weight and gold purity of the trade-in gold using methods such as visual inspection, and the magnet test; and (iii) if necessary, further testing may involve the melting down the gold or cutting off parts of the trade-in gold. According to Frost & Sullivan, it is common for gold jewellery stores to conduct such on-site testing and examinations of the trade-in gold. After receiving the trade-in gold, our franchisees and self-operated stores enter the relevant gold trade-in information into our CRM system. On a later stage, our provincial-dealers generally follow the same testing procedures as our franchisees and self-operated stores.

When our provincial-dealers and franchisees deliver the trade-in gold to us, we immediately conduct on-site testing and examinations, such as testing the weight and purity level of the trade-in gold. After the relevant testing, we issue a material receive note (來料單) to provincial-dealers and/or franchisees setting out the relevant information of trade-in gold received. In certain cases, we may use the hydrostatic weighing method to test the gold. We reject the trade-in gold directly on the date of delivery if it does not meet our standards. Our provincial-dealers and franchisees are required to review and verify the relevant information of trade-in gold by signing on the material receive note. During the Track Record Period, there was no instance where we had to return used gold to end customers, franchisees and provincial dealers due to quality of used gold received.

We do not accept trade-in gold that does not meet our standards upon on-site checking from our franchise network, and there is thus no returning of trade-in gold to our franchise network. After we accept the trade-in gold, we discount the weight of trade-in gold based on its purity level, and deduct the same amount of weight from that of the new piece of gold jewellery being traded-in for when calculating the gold price component. Franchisees or provincial dealers are required to settle the shortfall in cash or trade-in gold if we find out that the purity level of the trade-in gold is not as high as they claimed during the melting and purifying process.

(ii) ***Used trade-in gold and new gold jewellery between our franchise network and our Group***

The following diagram outlines the different procedures between the used trade-in gold from our provincial-dealers and franchisees to us and the delivery of new gold jewellery to our franchisees.



As illustrated in the diagram above, our provincial-dealers and franchisees deliver their used gold to us. After we test it and ensure that the gold traded-in meets our standards, our franchisees receive the new gold jewellery on the same day. Generally, it takes 24 hours for us to melt and purify the gold traded-in in our production facility. Then, it takes approximately 14 days to further process the raw materials into new products.

Apart from the day-to-day gold trade-in between consumers and our self-operated stores or franchisees, we implemented promotional activities including the "One RMB Exchange" promotion running for up to a week annually, pursuant to which self-operated stores or franchisees may only accept consumer trade-in of our "Wan Purity" gold series products previously purchased for new pieces of "Wan Purity" series at a nominal crafting fee of one RMB per traded-in gram of gold, and full price of any additional weight of gold purchased.

Illustration of Price Charge for Gold Trade-in

The following diagram is for illustrating the price charge components in our regular gold trade-in:

Used gold: 5g

Gold Price Component

- The value of the gold traded-in can only be applied to settle against the gold price component of the new purchase.
- **Scenario 1:** if 5g of used gold is traded-in for a 5g new product, there would be no gold price component payable in cash for the new product.
- **Scenario 2:** if 5g of used gold is traded-in for a 12g new product, gold price payable in cash for the new product under this settlement model =

  Prevailing Gold price × (12g – 5g)

+

Crafting Fees Component

Crafting fee for new product + Trade-in crafting fee × 5g

- Different crafting fees will be applied to our provincial-dealers and franchisees for traded-in gold that are of our brand and of other third-party brands.
- A trade-in crafting fee is applied to all products received from (i) consumers who traded-in through our self-operated stores and (ii) of third-party brands received from provincial-dealers and franchisees. When receiving used gold from provincial dealers and franchisees, we charge a trade-in crafting fees on traded-in gold that are of third-party brands to cover the additional costs for handling such traded-in gold as they are not our products, and such gold products may require additional purification/processing. On the other hand, there would be no trade-in crafting fee for used golds under our own brand because we are more certain of the quality of our products and such products can be more readily purified/processed (but we will still charge the regular crafting fee). We also charge a higher trade-in crafting fee for consumers who traded-in through our self-operated store to align with the trade-in crafting fees which our franchisees charge their consumers.
- If 5g of used gold is of our brand and received from provincial-dealers and franchisees, there would be no trade-in crafting fee (but we will still charge the regular crafting fee).

Under the "One RMB Exchange" promotion, consumers have the option to trade-in their "Wan Purity" series of gold for a gold product of the same or heavier weight.

If consumers choose to trade-in their gold for a product of the same weight, they are only required to pay a nominal crafting fee of one RMB per gram of gold they traded in. However, if consumers choose to trade-in for a gold product that is heavier than the original, the process is slightly different. They are still required to pay the nominal crafting fee of one RMB per gram of gold up to the product weight they traded-in. Additionally, they need to pay for the price of the extra gold they purchased, as well as the regular crafting fees for the additional gold.

Our "One RMB Exchange" for "Wan Purity" series products is promotional in nature and it does not follow our normal gold trade-in settlement practices in calculating regular crafting fees. For further details on nominal and regular crafting fees, please refer to "— Business — Sales and Distribution Channels — Pricing Policy."

Gold Trade-in with Different Counterparties

During the Track Record Period, the breakdown of the consideration settled by gold trade-in for each counterparty type were as below:

	Year ended December 31,						Six months ended June 30,	
	2021		2022		2023		2024	
	Consideration settled by gold trade-in	Percentage to total revenue	Consideration settled by gold trade-in	Percentage to total revenue	Consideration settled by gold trade-in	Percentage to total revenue	Consideration settled by gold trade-in	Percentage to total revenue
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Consumers from our self-operated stores	111,028.5	0.7	96,690.5	0.6	114,025.5	0.6	58,937.9	0.6
Franchise stores(Note)	5,005,506.0	29.7	3,870,742.1	24.6	4,549,877.9	22.5	2,039,239.9	20.4
Provincial-dealers	3,072,306.8	18.2	1,926,673.4	12.3	2,142,820.2	10.6	661,843.5	6.6
Total	**8,188,841.3**	**48.5**	**5,894,106.0**	**37.5**	**6,806,723.6**	**33.7**	**2,760,021.3**	**27.7**

Note: The consideration settled by gold trade-in included that from franchise stores which ceased operation during the relevant year/period.

Our franchise stores may conduct gold trade-in with the Group through provincial-dealers or directly with our Group in our self-operated direct service centres. Most of the franchisees under provincial-dealers will only conduct gold trade-in through provincial-dealers. On the other hand, such franchisees usually only conduct gold trade-in with us when they purchase directly from us in limited circumstances, including cases where a franchisee owns more than one franchise store located in different regions or when franchisees make special direct purchase requests which were pre-approved by us. The total number of franchisees who conducted gold trade-in with us directly during the Track Record Period (including those that ceased operation during the relevant year) was 753, 727, 692 and 729 for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

The following table sets forth (i) number of franchise stores procuring through our self-operated direct service centers and (ii) the proportion of franchise stores who conducted gold trade-in with us under our self-operated direct service centers:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Franchise stores procuring through our self-operated direct service centers(Note)				
• Number of stores under our self-operated direct service centers	1,312	1,346	1,434	1,375
• Number of stores that had conducted gold trade-in with our Group	1,212	1,256	1,310	1,268
• Proportion of stores that have conducted gold trade-in out of the number of stores under our self-operated direct service centers (%)	92.4%	93.3%	91.4%	92.2%

Note: Franchise stores that ended operation during the relevant year/period were included.

The number of franchise stores under our self-operated direct service centers that conducted gold trade-in with the Group directly (including those that ceased operation during the relevant year/period) were 1,212, 1,256, 1,310 and 1,268 for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, which accounted for 92.4%, 93.3%, 91.4% and 92.2% of the total number of franchise stores under our self-operated service centers during the relevant year/period.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Franchisees procuring through our self-operated direct service centers[(Note)]				
• Number of franchisees under our self-operated direct service centers	661	650	654	643
• Number of franchisees that had conducted gold trade-in with our Group	619	606	604	557
• Proportion of franchisees that have conducted gold trade-in out of the number of franchisees under our self-operated direct service centers (%)	93.6%	93.2%	92.4%	86.6%

Note: Franchisees that ended operation during the relevant year/period were included.

The number of franchisees under our self-operated direct service centers that conducted gold trade-in with the Group directly (including those that ceased operation during the relevant year/period) was 619, 606, 604 and 557 for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, which accounted for 93.6%, 93.2%, 92.4% and 86.6% of the total number of franchisees under our self-operated service centers during the relevant year/period.

We had 17 provincial-dealers during the Track Record Period and all of our provincial-dealers conducted gold trade-in with us during each year/period of the Track Record Period. As of December 31, 2021, 2022 and 2023 and June 30, 2024, there were 1,091, 1,087, 1,074 and 1,057 franchisees under our provincial-dealers, respectively. During the Track Record Period, 135, 122, 90 and 172 of the franchisees under provincial-dealers conducted gold trade-in with us directly.[(Note)]

Note: For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, out of all franchisees who have conducted gold trade-in with us, we have one, one, two and nil franchisees who were under both our self-operated direct service centers and provincial-dealers, respectively. Such overlaps were primarily due to the fact that some franchise stores operated by the relevant franchisees were located in areas covered by provincial-dealers while some of them were located in the areas covered by our self-operated direct service centers.

During the Track Record Period, a larger proportion of our sales to franchisees were settled with used gold as compared to our sales to end consumers through our self-operated stores, as a result of combining factors, including store locations, operational history and local market presence.

The following table sets forth (i) the proportion of gold trade-in amount to total sales revenue and (ii) the number of stores for each of the self-operated stores and franchisees by store location during the Track Record Period:

	Year ended December 31,												Six months ended June 30,			
	2021				2022				2023				2024			
	Number of stores *(Note 1)*	Sales amount settled by used gold *(Note 2)*	Total sales revenue *(Note 2)*	Proportion of sales settled by used gold	Number of stores *(Note 1)*	Sales amount settled by used gold *(Note 2)*	Total sales revenue *(Note 2)*	Proportion of sales settled by used gold	Number of stores *(Note 1)*	Sales amount settled by used gold *(Note 2)*	Total sales revenue *(Note 2)*	Proportion of sales settled by used gold	Number of stores *(Note 1)*	Sales amount settled by used gold *(Note 2)*	Total sales revenue *(Note 2)*	Proportion of sales settled by used gold
		(RMB'000)	(RMB'000)	(%)		(RMB'000)	(RMB'000)	(%)		(RMB'000)	(RMB'000)	(%)		(RMB'000)	(RMB'000)	(%)
Franchise stores operated by franchisees																
• Shopping mall/ department store	763	1,771,100.2	3,436,716.0	51.5%	802	1,479,476.3	3,790,355.6	39.0%	914	1,840,615.5	5,170,360.9	35.6%	948	924,889.1	2,533,035.4	36.5%
• Elsewhere	1,917	3,234,405.8	5,972,509.4	54.2%	1,941	2,391,265.8	5,838,786.3	41.0%	1,903	2,709,262.4	7,103,416.0	38.1%	1,902	1,114,350.8	3,221,967.5	34.6%
Self-operated store																
• Shopping mall/ department store	30	82,968.9	289,017.8	28.7%	29	75,169.6	289,442.4	26.0%	32	91,874.1	328,446.5	28.0%	33	49,735.3	168,855.2	29.5%
• Elsewhere	1	28,059.6	67,128.5	41.8%	3	21,520.9	77,045.4	27.9%	3	22,151.4	83,769.0	26.4%	3	9,202.6	31,252.8	29.4%

Notes:

1. The number of store only take into account of franchise stores under both our self-operated direct service centers and provincial-dealers that were still in operation as of December 31, 2021, 2022 and 2023 and June 30, 2024.

2. The sales amount settled by used gold and total sales revenue included sales to franchise stores who conducted gold trade-in and transactions with us directly, and included the sales to franchise stores that ceased operation during the relevant year/period.

The proportion of sales settled by used gold may be affected by store location, and the stores located in department stores or shopping malls generally received lower proportion of used gold. The proportion of sales settled by used gold at our self-operated stores located in shopping mall/ department store was evidently lower than self-operated stores located elsewhere in 2021. This was mainly due to the fact that department stores or shopping malls may prefer or even require that stores within their premises settle sales of goods in cash, rather than accepting in-kind settlements. However, such difference was not as apparent in 2022 and 2023 as one out of three of our self-operated stores that were not in shopping mall/department store recorded decrease in proportion of sales settled by used gold in 2022 and 2023. Our management is of the view that as the relevant self-operated store was located in a neighbourhood with many stores that bought used gold from end-consumers in cash, with increasingly keen competition for used gold in its vicinity driven by the increase in gold price in 2022 and 2023, a decreasing number of end-consumers opt for trading-in gold at such store, which may not be representative for all self-operated stores and franchisees. In addition, used gold as a percentage of sales revenue for relevant year/period for the franchisees' stores in department stores or shopping malls were generally lower than that for the franchisees' stores located elsewhere. Such results further supports that store location is one of the major factors that led to the difference in the proportion of sales settled with used gold.

In addition to difference in store location, the higher proportion of sales settled with used gold for our sales to provincial dealers and franchisees was also due to our provincial-dealers and franchisees having broader access to traded-in gold through their own retail channels. Many of our provincial-dealers and franchisees are established jewellery wholesalers in their respective regions, and thus can acquire more traded-in gold from their customers, leveraging their strong market positions. For example, as we do not enter into exclusivity agreements with provincial dealers and franchisees, some of our franchisees may operate other gold jewellery stores under their own or third party brands, which enabled them to get access to a broader range of end consumers and received used gold of third party brand from such consumers. Also, some of our franchisees operate multiple franchise stores, which enables them to reach a larger group of end consumers due to their geographical coverage. During the Track Record Period, sales amount settled by used gold of third-party brands as a percentage of total sales revenue derived from our franchisees amounted to 22.1%, 9.8%, 8.4% and 11.1%, while the comparable figures for our provincial-dealers were 29.8%, 9.5%, 6.2% and 10.5%, which were both generally higher than the comparable figures for our self-operated stores of 7.1%, 7.7%, 7.6% and 6.7%. We believe the aforementioned is an example which illustrates that our provincial-dealers and franchisees have greater access to used gold. Commencing in mid-2022, we implemented stricter control on accepting traded-in gold which resulted in a decrease in used gold from third-party brands as a percentage of total gold traded-in. Consequently, the proportion of sales settled by traded-in gold at franchise stores has gradually become more aligned with that of our self-operated stores.

Moreover, during the Track Record Period, there was a general positive correlation between the number of years that a store had been in operation and the proportion of sales that such store settled with used gold. We believe such correlation resulted from the larger customer base that a store attracts with time, and with the larger customer base, a store can typically acquire more traded-in gold from their customers. The correlation was generally reflected in both our self-operated stores and our franchise stores. As many of our franchise stores have been established longer than our self-operated stores, the proportion of sales settled with used gold at our franchise stores was generally higher than that of our self-operated stores.

For the used gold received through gold trade-in, we recognize the revenue and inventory by multiplying the weight of trade-in gold with the real-time price of Au9999 on the Shanghai Gold Exchange on the day the gold is traded-in. If the subsequent real-time gold price movement exceeds RMB0.5 per gram, we will adjust the subsequent transaction price of gold accordingly. If the gold trade-in occurs on a day when Au9999 is not traded, we will refer to the closing price of Au9999 on the Shanghai Gold Exchange and spot gold on overseas exchanges on the previous trading day to determine the price to be used. The prices of gold traded-in are not discounted.

We did not make any provision for gold trade-in during the Track Record Period because there was no unavoidable obligation for us to accept used material.

For sale of gold products, we allow consumers (from our self-operated stores), franchisees and provincial-dealers to trade-in gold products as settlement for gold component of the transaction price. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, used gold as part of the consideration paid from franchisees and provincial-dealers amounted to RMB8,077.8 million, RMB5,797.4 million, RMB6,692.7 million and RMB2,701.1 million, respectively, representing 49.1%, 37.7%, 33.7% and 27.5% of our total revenue generated from the sale of gold jewellery and other gold products and 47.9%, 36.9%, 33.1% and 27.1% of our total revenue for the respective year/period. We implemented higher standard of quality control and stricter selection criteria for accepting traded-in gold, which is reflected in (i) the increase in our gold procurement directly from the Shanghai Gold Exchange, as gold procured through the Shanghai Gold Exchange is generally quality assured; and (ii) a stricter quality control and more careful acceptance of traded-in gold from third-party brands, which resulted in a decrease in used gold from third-party brands as a percentage of total gold traded-in.

In addition, used gold as part of consideration paid received from consumers at our self-operated stores amounted to RMB111.0 million, RMB96.7 million, RMB114.0 million and RMB58.9 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, representing 0.7%, 0.6%, 0.6% and 0.6% of our total revenue generated from the sale of gold jewellery and other gold products and 0.7%, 0.6%, 0.6% and 0.6% of the total revenue for the respective year/period.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, used gold from third-party brands amounted to RMB3,702.7 million, RMB1,468.2 million, RMB1,468.8 million and RMB911.2 million respectively, while used gold from our brand amounted to RMB4,486.1 million, RMB4,425.9 million, RMB5,337.9 million and RMB1,848.8 million, respectively. As a percentage of total gold traded-in, used gold from third-party brands constituted 45.2%, 24.9%, 21.6% and 33.0%, respectively, while used gold from our brand constituted 54.8%, 75.1%, 78.4% and 67.0%, respectively. The percentage of used gold from third-party brand generally decreased during the Track Record Period because we implemented higher standard of quality control and stricter selection criteria for accepting traded-in gold, which is reflected in (i) the increase in our gold procurement directly from the Shanghai Gold Exchange, as gold procured through the Shanghai Gold Exchange is generally quality assured; (ii) a stricter quality control and more careful acceptance of traded-in gold from third-party brands; and (iii) higher crafting fees for used gold from third-party brands. There was a slight decrease in the percentage of used gold from our brand to all used gold received for the six months ended June 30, 2024 when compared to that for the year ended December 31, 2023. Such result is mainly due to the fact that our "One RMB Exchange" program is generally held in the second half of the year, during which we usually receive more used gold of our brand. For further details of crafting fees charged during our "One RMB Exchange" program, please refer to the section headed "Business — Our customers — Average and price range of crafting fees according to different source."

For details of the accounting treatment in relation to gold trade-in, see notes 4 and 43 of "Appendix I — Accountants' Report — Non-cash consideration".

Accounting treatment of gold trade-in

In a gold trade-in transaction, we recognize the actual selling price of the new products as revenue based on almost the real-time price of Au9999 on the Shanghai Gold Exchange plus crafting fee, and the cost of gold sold based on the cost of the new products. The non-cash consideration received (trade-in gold) was recognized as inventories based on the weight of trade-in gold and the real-time price of Au9999 on the Shanghai Gold Exchange. Cash consideration is based on the actual selling price multiplied by the weight difference between the new products and trade-in gold plus crafting fee.

For illustration purpose only, assuming a franchisee/provincial-dealers purchased 100 grams of "Wan Purity" series gold jewellery from us and used 40 grams of used"Wan Purity" series gold jewellery collected from end consumers as part of the purchase consideration. The real-time selling price of the "Wan Purity" series gold jewellery was RMB339 per gram (excluding crafting fee), and the crafting fee for the transaction is RMB11.3 per gram. VAT was charged at 13%. The cost of the "Wan Purity" series gold jewellery sold is RMB290 per gram.

Below are the relevant accounting entries:

	RMB
Debit:	
Cash/Trade receivables	339×60+11.3×(60+40)=21,470
Raw materials — gold materials	339×40/(1+13%)=12,000
Credit:	
Revenue	(339+11.3)×100/(1+13%)=31,000
Other payables — VAT payable (output tax)	339×60×13%/(1+13%)+11.3×(60+40)×13%/(1+13%)=2,470
Debit:	
Cost of sales	(290×100)=29,000
Credit:	
Inventory — Finished goods	29,000

The accounting treatment of gold trade-in between our Group and franchisees/provincial-dealers is the same as the treatment between our Group and consumers from our self-operated stores.

The accounting treatment of "One RMB Exchange" is listed below:

a. *"One RMB Exchange" between our Group and franchisees/provincial-dealers*

There is no difference in accounting treatment of trade-in transactions of our group with franchisees and with provincial-dealers, other than the different charge rate of crafting fee per gram for the trade-in settlement portion.

b. *"One RMB Exchange" between our Group and consumers from our self-operated stores*

For illustration purpose only, assuming a customer purchased 10 grams of "Wan Purity" series gold jewellery from one of our self-operated stores during the "One RMB Exchange" promotion and used 6 grams of used"Wan Purity" series gold jewellery as part of the purchase consideration. The real-time selling price of the "Wan Purity" series gold jewellery on transaction date was RMB350 per gram. (excluding crafting fee). The crafting fee for trade-in settlement portion of the purchase is RMB1 per gram. The crafting fee for the cash settlement portion of the purchase is RMB40 per gram. VAT was charged at 13%. The cost of the "Wan Purity" series gold jewellery sold is RMB290 per gram.

Below are the relevant accounting entries:

	RMB
Debit:	
Cash	350×4+1×6+40×4=1,566.00
Raw materials — gold materials	350×6/(1+13%)=1,858.41
Credit:	
Revenue	(350×10+40×4+1×6)/(1+13%)=3,244.25
Other payables — VAT payable (output tax)	350×4×13%/(1+13%)+(1×6 +40×4)×13%/(1+13%)= 180.16
Debit:	
Cost of sales	(290×10)=2,900.00
Credit:	
Inventory — Finished goods	2,900.00

The relevant sales of gold trade-in were recognized on a gross basis based on the below reasons:

(i) Our business covers all stages of the jewellery industry value chain, from raw material sourcing and purification, R&D, product design, manufacturing, distribution to retailing. We make decisions independently on the various stages above, not under the instruction or engaged by the provincial-dealers/franchisees or customers who provides trade-in golds. We obtain the control of the trade-in golds and mix the trade-in golds with other gold materials in the production process. We produce and sell jewellery products, not provide processing services, to our customers;

(ii) we bear the inventory risk of the new products and trade-in gold, like fluctuations in the gold price, outdated styles and slow sales for new products and lost for trade-in gold;

(iii) we has discretion in establishing the price for the new products;

(iv) the trade-in transaction has commercial substance and the risk, timing or amount of the cash flows is different between the products sold and the trade-in gold;

(v) due to the special nature of gold, we consider gold trade-in as a form of payment which is as good as cash payment.

In conclusion, except for the form of consideration, there's no difference between this arrangement and an arrangement in which customers make a cash payment. According to Hong Kong Financial Reporting Standards, we account for trade-in gold as non-cash consideration received from the customer and recognize the sales on a gross basis.

We noticed from the published financial information of relevant peer public companies that they also apply the same accounting treatment as us regarding trade-in transactions.

Potential impact if we substantially reduce or cease to conduct gold trade-in

In the event of a material reduction or cessation of gold trade-in activities, the potential impacts on our procurement and our sales and marketing are as below:

For procurement, we may not be able to collect used gold as raw materials from gold trade-in. However, given our special membership status of the Shanghai Gold Exchange, our Directors believe our procurement would not be materially impacted.

For our sales and marketing, it has been one of our competitive strengths to offer gold trade-in services to our provincial-dealers and franchisees, and consumers at our self-operated stores. Our gold trade-in services offered to franchisees empower franchisees to offer gold trade-in to consumers through their franchise stores. Potential impacts may include losing a competitive strength to maintain loyalty of our franchisees and consumers from both franchise and self operated stores and affecting our brand image of being capable of offering gold trade-in services in the market. According to Frost & Sullivan, it is common for gold jewellery stores to accept gold trade-in from consumers. If we do not accept trade-in gold from our provincial-dealers and franchisees, they may have to find other counterparties with purifying capabilities to accept used gold from their consumers. This may increase the burden on our provincial-dealers and franchisees and in turn, may adversely affect our relationship with them.

Our PRC Legal Advisor has confirmed that the Anti-Money Laundering Law, the "Notice of the Ministry of Finance and the State Administration of Taxation on the Collection of Value-Added Tax on Gold, Silver Jewellery and Other Goods" and related laws and regulations in force do not prohibit or restrict the retail industry from carrying out gold trade-in. Given that we have a proper commercial rationale to conduct gold trade-in, we have no plan to completely cease gold trade-in activities.

Gold Trade-in & Anti-Money Laundering Law

Our PRC Legal Advisor is of the view that, pursuant to the Anti-Money Laundering Law of the People's Republic of China ("**Anti-Money Laundering Law**") and the relevant laws and regulations currently in force in the PRC, there is no prohibition or restriction to the retail industry from carrying out gold trade-in business. According to the Article 2 of the Anti-Money Laundering Law, "Anti-Money Laundering referred to in this Law refers to the act of taking relevant measures in accordance with the provisions of this Law to prevent money laundering activities that disguise and conceal the source and nature of proceeds from crimes and their proceeds of drug crimes, organisational crimes of a triad nature, crimes of terrorist activities, smuggling crimes, embezzlement and bribery, sabotage of the financial management order, and crimes of financial fraud by various means". According to Article 35 of the Anti-Money Laundering Law, "the scope of the special non-financial institutions subject to the performance of the duties of anti-money laundering, their performance of the duties of anti-money laundering and the specific measures for their supervision and management shall be formulated by the competent administrative authority of anti-money laundering under the State Council jointly with the relevant departments of the State Council". We are not regarded as precious metals trading venues, but our business encompasses precious metals spot trading on established venues, along with retail trading of precious metals conducted within such venues. According to the Notice of the People's Bank of China on Strengthening Anti-Money Laundering and Counter-Terrorist Financing Work of Precious Metals Trading Venues (《中國人民銀行關於加強貴金屬交易場所反洗錢和反恐怖融資工作的通知》) (Yin Fa [2017] No. 218), precious metals trading venues engaged in the business or providing services involving spot trading of precious metals, as well as precious metals dealers engaging in the trading of precious metals in their venues, shall actively fulfil their obligations to anti-money laundering and counter-terrorist financing, and trading venues and dealers shall take the necessary monitoring measures to monitor the lists of terrorist organisations and persons engaged in terrorist activities, etc. published by the competent state authorities, and shall not establish business relationships with or provide any form of service to any entities, organisations or individuals on the lists, and shall, in accordance with the law, immediately take measures to freeze funds or other assets related to the terrorist organisations and persons, etc., and report to the local public security organs, state security organs and branches of the People's Bank of China in a timely manner in accordance with relevant provisions. Trading venues and dealers shall, in principle, adopt non-cash methods when providing services or conducting business.

As of June 30, 2024, 2,653 franchise stores operated by 1,550 franchisees, accounting for approximately 92.8% of all our franchisees, had installed and were using our CRM system to record sales from gold trade-in. According to our internal control policy on gold trade-in management, we encourage franchisees to use our CRM system to record sales for gold trade-in. We did not make it compulsory for franchisees to use CRM system mainly because (i) some franchisees have adopted similar management systems to which they are accustomed, offering the same or similar functions as our CRM system; and (ii) certain smaller-scale franchisees may find it costly to adopt the CRM system while we monitor their sales through onsite visits given the size of their operations. Through our CRM system, we can monitor transactions conducted by our franchisees, including the volume, frequency and types of sales/transactions. Having immediate access to such information allows us to more effectively identify any irregular or abnormal transactions that may be suspicious of being money laundering activities. In the event that such franchisee's transaction frequency or per transaction amount materially deviates from the previous month or period, we can readily access such information and take necessary actions, including but not limited to investigating whether such transactions might be related to money laundering activities and, if necessary, reporting to the relevant authorities. For illustration purposes only, consider a scenario in which a franchisee typically conducts around 100 transactions per month, with an average of RMB10,000 per transaction. Should there be a significant deviation, such as conducting 200 transactions in a single month with an average of RMB20,000 per transaction, it would raise concerns and lead to an internal investigation. We charge franchisees who do not adopt our CRM system a higher crafting fee. We also have internal control policy in combating money laundering, which specifies as follows:

— **identify customers:** establish a customer risk level management system according to the characteristics of customers, and consider factors such as region, business, industry to identify the risk level of customers, and strengthen the management of high-risk customers.

— **strict upfront measures for high-risk customers:** When establishing relevant business relationships with high-risk customers, we shall strictly implement real-name record system, conduct procedures on customer due diligence and understand their business operations. High-risk customer's identity, transaction records and all other relevant information shall be collected for investigating suspicious transaction and for investigating and dealing with money laundering cases and must be kept strictly confidential and shall not be disclosed to any unrelated bodies or individuals.

— **special management:** for customers, business relationships or transactions which possess characteristics of money laundering or terrorist financing, we shall take appropriate measures such as in-depth investigation, interviews, and access to relevant materials, to understand the customers and the purpose and nature of the transactions, and to understand the natural persons who actually control the customers and their transactions.

— **large amount and abnormal transactions:** we pay particular attention to large and abnormal transactions that include, but are not limited to, the following:

  — If the customers' name is the same or similar to the list of terrorist organizations, terrorists and criminal suspects issued by judicial authorities, law enforcement agencies, regulatory authorities, and the United Nations Security Council;

  — Institutional customers that frequently have transactions of more than RMB200,000 or foreign exchange equivalent of more than USD20,000*(Note)* or individual customers that frequently have transactions of more than RMB100,000 or foreign exchange equivalent of more than USD10,000*(Note)*; and

  — The frequency, amount or time of the customer's transaction are obviously inconsistent with the business they operate.

If the large amount or abnormal transactions are determined to be related to money laundering, terrorist financing and other illegal and criminal activities, or it cannot be ruled out otherwise, we shall report the transactions to the Group's anti-money laundering officers within six working days of the transaction. The anti-money laundering officers shall submit suspicious transaction report to the China Anti-Money Laundering Monitoring and Analysis Center within four working days.

Our gold trade-in business does not involve foreign exchange transactions.

There have been no suspicious Anti-Money Laundering transactions reported internally or to the China Anti-Money Laundering Monitoring and Analysis Center during Track Record Period, and we have not been subject to any fines, administrative penalties or other sanctions, or received any enquiries, notices or warning from any relevant regulatory authorities in relation to violations of the Anti-Money Laundering Law and foreign exchange laws and regulations during the Track Record Period.

Based on the aforementioned, our PRC Legal Advisor holds the view that the risk of us being subject to material punishment for violating the Anti-Money Laundering Law and foreign exchange laws and regulations in the PRC for our gold trade-in is low.

Our Directors consider the risk of utilizing our gold trade-in service as a method of money laundering is remote given that customers can only trade-in gold for gold jewellery. We do not pay cash to (i) provincial-dealers and franchisees who trade-in gold with us or (ii) consumers who trade-in gold through our self-operated stores with us.

Our aforementioned arrangement is in line with our commercial interest and market practice. Frost & Sullivan has further confirmed that there were no material unusual features regarding our gold trade-in practice when compared with other major industry players.

Note: Such foreign exchange transactions are primarily conducted through Hong Kong Mokingran.

In terms of our accounting treatment, gold trade-in is considered as non-cash settlement and our revenue recognition. The critical accounting judgment includes the consideration of:

1. Our Group receives used gold products from franchisees, provincial-dealers and consumers to be used in manufacturing new gold products.

2. There is no obligation or commitment for our Group to accept the used gold products.

3. Except for the form of consideration, there's no difference between this arrangement and an arrangement in which customers makes a cash payment.

4. Our Directors apply judgment to assess whether or not we obtain control of customer-provided materials. After careful analysis of all relevant fact and circumstances, it is concluded that our Group obtain control of the used gold products.

5. As a result, the value of the non-cash consideration is included in the transaction price.

6. Our Group estimates the fair value of the non-cash consideration by reference to the real-time trading price of the Shanghai Gold Exchange on the relevant trading day.

Five largest gold trade-in parties for our franchise network during the Track Record Period

The table below sets out our Group's five largest trade-in parties of each year/period of our franchise network during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, ranked in accordance with the trade-in amount by our Group during the respective year/period:

Rank	Name	Principal business and business profile	Products provided	Year of commencement of business relationship with our Group	Trade-in amount	Percentage to our total trade-in amount from franchisees and provincial-dealers	Settlement Method	Credit term
					(RMB$'000) (approximately)	(%) (approximately)		(day)s
For the year ended December 31, 2021								
1	Provincial-dealer A	Provincial-dealer	Trade-in gold	Since 2014	470,161	5.8	Settlement in gold	Payment on spot
2	Provincial-dealer C	Provincial-dealer	Trade-in gold	Since 2012	399,095	4.9	Settlement in gold	Payment on spot
3	Provincial-dealer B	Provincial-dealer	Trade-in gold	Since 2012	332,761	4.1	Settlement in gold	Payment on spot
4	Provincial-dealer D	Provincial-dealer	Trade-in gold	Since 2019	275,465	3.4	Settlement in gold	Payment on spot
5	Provincial-dealer E	Provincial-dealer	Trade-in gold	Since 2019	269,739	3.3	Settlement in gold	Payment on spot

Rank	Name	Principal business and business profile	Products provided	Year of commencement of business relationship with our Group	Trade-in amount	Percentage to our total trade-in amount from franchisees and provincial-dealers	Settlement Method	Credit term
					(RMB$'000) (approximately)	(%) (approximately)		(day)s
For the year ended December 31, 2022								
1	Provincial-dealer C	Provincial-dealer	Trade-in gold	Since 2012	428,193	7.4	Settlement in gold	Payment on spot
2	Franchisee F	Franchisee	Trade-in gold	Since 2012	285,555	4.9	Settlement in gold	Payment on spot
3	Provincial-dealer B	Provincial-dealer	Trade-in gold	Since 2012	228,057	3.9	Settlement in gold	Payment on spot
4	Provincial-dealer A	Provincial-dealer	Trade-in gold	Since 2014	160,418	2.8	Settlement in gold	Payment on spot
5	Provincial-dealer D	Provincial-dealer	Trade-in gold	Since 2019	158,133	2.7	Settlement in gold	Payment on spot
For the year ended December 31, 2023								
1	Provincial-dealer C	Provincial-dealer	Trade-in gold	Since 2012	548,277	8.2	Settlement in gold	Payment on spot
2	Franchisee F	Franchisee	Trade-in gold	Since 2012	396,415	5.9	Settlement in gold	Payment on spot
3	Provincial-dealer B	Provincial-dealer	Trade-in gold	Since 2012	244,551	3.7	Settlement in gold	Payment on spot
4	Provincial-dealer A	Provincial-dealer	Trade-in gold	Since 2014	190,323	2.8	Settlement in gold	Payment on spot
5	Provincial-dealer E	Provincial-dealer	Trade-in gold	Since 2019	163,747	2.4	Settlement in gold	Payment on spot
For the six months ended June 30, 2024								
1	Provincial-dealer C	Provincial-dealer	Trade-in gold	Since 2012	209,430	7.8	Settlement in gold	Payment on spot
2	Franchisee F	Franchisee	Trade-in gold	Since 2012	138,607	5.1	Settlement in gold	Payment on spot
3	Provincial-dealer B	Provincial-dealer	Trade-in gold	Since 2012	81,255	3.0	Settlement in gold	Payment on spot
4	Provincial-dealer E	Provincial-dealer	Trade-in gold	Since 2019	74,046	2.7	Settlement in gold	Payment on spot
5	Franchisee G	Franchisee	Trade-in gold	Since 2011	64,471	2.4	Settlement in gold	Payment on spot

Overlapping of franchise stores as customers and our gold trade-in parties

Due to our business model on accepting gold trade-in as a settlement method, naturally some of our customers are also our gold trade-in parties. The following table sets out quantitative disclosures on our total sales to and purchases from our franchise stores, who purchased gold jewellery from us as customers and also acted as our gold trade-in parties during the Track Record Period:

Sales to all overlapping franchisee customers and gold trade-in parties

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Sales revenue (RMB million)	14,508	14,438	18,363	7,752
As a percentage to total revenue (%)	86	92	91	78
Gross profit (RMB million)	481	587	845	461
Gross profit margin (%)	3.3	4.1	4.6	5.9

The gross profit margin from overlapping franchisee customers and gold trade-in parties during the Track Record Period was 3.3%, 4.1%, 4.6% and 6.2% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Gold purchases and gold trade-in from overlapping franchisee customers and gold trade-in parties

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Gold trade-in amount (RMB million)	8,078	5,797	6,693	2,701
As a percentage to total gold purchase and gold trade-in from franchisees and provincial-dealers (%)	49	40	34	30

The table below sets out the details of our major gold trade-in parties in our franchise network during the Track Record Period:

Provincial-dealer A

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	648,100	593,341	689,177	133,394
As a percentage to total revenue (%)	3.8	3.8	3.4	1.3
Gold trade-in (RMB'000)	470,161	160,418	190,323	60,152
As a percentage to total amount of gold trade-in from franchisees and provincial-dealers (%)	5.8	2.8	2.8	2.2
Gross profit (RMB'000)	5,740	20,174	30,092	12,488
Gross profit margin (%)	0.9	3.4	4.4	9.4

Provincial-dealer A's ultimate beneficial owner commenced business relationship with us since 2012. Provincial-dealer A is a company established in the PRC in 2021 with a registered share capital of RMB1.0 million and is principally engaged in retail and wholesale of jewellery. Prior to the establishment of Provincial-dealer A, we conducted business with its ultimate beneficial owner directly and/or other entities controlled by him/her. Provincial-dealer A's ultimate controller is a merchant specializing in jewellery business and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, it was our provincial-dealer in Wenzhou.

The gross profit margin of the transactions between our Group and Provincial-dealer A for the year ended December 31, 2021 was lower primarily because (i) the difference in product mix sold to Provincial-dealer A (in particular we had low sales of our diamond inlaying jewellery products which carried a higher margin to Provincial-dealer A); and (ii) Provincial-dealer A purchased and traded-in more gold jewellery products from us when the gold price was higher, while the crafting fees we charged were stable.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Provincial-dealer A were 72.5%, 27.0%, 27.6% and 45.1%, respectively. In 2021, 49.1% of our total revenue generated from sales of gold jewellery and other gold products was settled by used gold. The same proportion for Provincial-dealer A was higher because it had more access to used gold of third-party brands and 60% of the used gold traded-in by Provincial-dealer A was of third-party brands. With more access to used gold from customers through its sales network, Provincial-dealer A may settle more of its sales with a higher volume of used gold it collected, thereby contributing to a higher proportion of sales settled by traded-in gold. The proportion of sales settled by traded-in gold by Provincial-dealer A declined to 27.0% and 27.6% in 2022 and 2023, respectively, which was primarily due to the fact that we adopted stricter quality control and more careful acceptance of traded-in gold from third-party brands in 2022, which resulted in a decrease in volume of used gold from third-party brands received from Provincial-dealer A. In 2022, we began to adopt the CRM system across our franchise network, through which we may monitor the information of used gold we received through gold trade-in. For further details of the internal control policies adopted in 2022 in relation to the quality control of trade-in gold, please refer to the section headed "History, Development and Corporate Structure — Previous A-Share Applications — The First A-Share Application — CSRC's concerns in relation to "One RMB Exchange" — Internal Control Measures." In addition, we charge higher crafting fees for sales settled by trade-in gold from third-party brands, for further details of the crafting fees we charge, please refer to the section headed "Business — Our Customer — Pricing policy."

For the six months ended June 30, 2024, the proportion of sales settled by traded-in gold by Provincial-dealer A increased to 45.1%, as a result of a temporary suspension of business by Provincial-dealer A in January 2024 due to its personal reason. As the sales of gold jewellery products usually increase before Chinese New Year, the temporary cessation in business by Provincial-dealer A resulted in a decrease in its total sales for the six months ended June 30, 2024. Following the temporary cessation of business, Provincial-dealer A resumed operations in February 2024. While the temporary cessation in business in the first quarter of 2024 led to a decrease in total sales for Provincial-dealer A during the first half of 2024, the change in the volume of used gold received by Provincial-dealer A in the first half of 2024 was comparatively marginal when compared to that of the decrease in sales for the corresponding period due to (i) the stable source of used gold stemming from the solid franchisee base by Provincial-dealer A and (ii) the increase in willingness to conduct gold trade-in in general due to the increase in gold price in the first half of 2024. Accordingly, the proportion of sales settled by traded-in gold by Provincial-dealer A increased during the six months ended June 30, 2024.

Provincial-dealer B

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	669,332	646,569	858,207	356,897
As a percentage to total revenue (%)	4.0	4.1	4.2	3.6
Gold trade-in (RMB'000)	332,761	228,057	244,551	81,255
As a percentage to total gold trade-in from franchisees and provincial-dealers (%)	4.1	3.9	3.7	3.0
Gross profit (RMB'000)	13,033	25,084	39,616	31,723
Gross profit margin (%)	1.9	3.9	4.6	8.9

Provincial-dealer B's ultimate beneficial owner commenced business relationship with us since 2012. Provincial-dealer B is a company established in the PRC in 2016 with a registered share capital of RMB5.0 million and is principally engaged in the wholesale of jewellery and art pieces. Prior to the establishment of Provincial-dealer B, we conducted business with its ultimate beneficial owner directly and/or other entities controlled by him/her. Provincial-dealer B's ultimate beneficial owner is a merchant specializing in jewellery business and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, it was our provincial-dealer in Taiyuan.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Provincial-dealer B were 49.7%, 35.3%, 28.5% and 22.8%, respectively which are generally in line with the proportion of settlement by trade-in gold by provincial-dealers and franchisees of 49.1%, 37.7%, 33.7% and 27.5% out of our total revenue generated from the sales of gold jewellery and other gold products for respective year/period.

Provincial-dealer C

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	641,756	792,556	1,026,117	428,313
As a percentage to total revenue (%)	3.8	5.0	5.1	4.3
Gold trade-in (RMB'000)	399,095	428,193	548,277	209,430
As a percentage to total gold trade-in from franchisees and provincial-dealers (%)	4.9	7.4	8.2	7.8
Gross profit (RMB'000)	13,755	30,881	49,478	31,887
Gross profit margin (%)	2.1	3.9	4.8	7.4

Provincial-dealer C's ultimate beneficial owner commenced business relationship with us since 2012. Provincial-dealer C is a company established in the PRC in 2017 with a registered share capital of RMB1.0 million and is principally engaged in the retail and wholesale of gold and silver accessories, jewellery and art pieces. Prior to the establishment of Provincial-dealer C, we conducted business with its ultimate beneficial owner directly and/or other entities controlled by him/her. Its ultimate beneficial owner is a jewellery merchant and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, it was our provincial-dealer in Harbin.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Provincial-dealer C were 62.2%, 54.0%, 53.4% and 48.9%, respectively. The proportion of sales settled by traded-in gold by Provincial-dealer C slightly decreased from 62.2% in 2021 to 54.0% in 2022 as we applied more stringent requirements in accepting used gold, and such proportion remained stable at 53.4% for 2023 and 48.9% for the six months ended June 30, 2024.

The proportion of sales settled by traded-in gold by Provincial-dealer C was generally higher than that of the Group as it has been operating in Harbin Province for more than 10 years and has established a solid customer base in the area which it operates. Accordingly, the Directors believe that Provincial-dealer C has access to a more used gold and therefore settled sales with higher proportion of traded-in gold.

Provincial-dealer D

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	322,395	294,102	343,777	128,485
As a percentage to total revenue (%)	1.9	1.9	1.7	1.3
Gold trade-in (RMB'000)	275,465	158,133	129,314	34,771
As a percentage to total gold trade-in from franchisees and provincial-dealers (%)	3.4	2.7	1.9	1.3
Gross profit (RMB'000)	4,605	9,468	14,409	7,628
Gross profit margin (%)	1.4	3.2	4.2	5.9

Provincial-dealer D's ultimate beneficial owner commenced business relationship with us since 2019. Provincial-dealer D is a company established in the PRC in 2022 with a registered share capital of RMB2.0 million, and is principally engaged in the business of sales of gold and silver products and wholesale of art pieces. In 2023, provincial-dealer D primarily conducted business in Hunan Province. Prior to the establishment of Provincial-dealer D, we conducted business with its ultimate beneficial owner directly and/or other entities controlled by him/her. Its ultimate controller is a jewellery merchant and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Provincial-dealer D were 85.4%, 53.8%, 37.6% and 27.1%, respectively. The proportion of sales settled by traded-in gold by Provincial-dealer D demonstrated a declining trend during the Track Record Period.

The proportion of sales settled by traded-in gold by Provincial-dealer D in 2021 was higher than that of the overall trade-in proportion of the Group as a whole. This was largely due to (i) approximately 56.5% of the used gold traded-in by Provincial-dealer D in 2021 consisted of third-party brand gold products, with more access to used gold from customers through its sales network, Provincial-dealer D may settle more of its sales with a higher volume of used gold it collected, thereby attributing to a higher proportion of sales settled by traded-in gold; and (ii) Provincial-dealer D and us launched a promotional event within its region to promote the sales of gold products of purity level of 999.99, which we offered discount of crafting fees to Provincial-dealer D for trading-in used gold products of our own brand for our gold products of purity level of 999.99 with the intention to encourage end consumers to trade in used gold for such products in that region, which, in turn, led to the increase in the proportion of sales settled by traded-in gold by Provincial-dealer D. Accordingly, the proportion of sales settled by traded-in gold by Provincial-dealer D in 2021 was higher than usual.

Following the introduction of stricter quality control measures for used gold collected from customers in 2022, the percentage of sales settled through traded-in gold by Provincial-dealer D decreased since 2022. Save for 2021, such proportion was generally in line with the overall proportion of settlement by trade-in gold by provincial-dealers and franchisees out of our total revenue generated from the sales of gold jewellery and other gold products, which amounted to 49.1%, 37.7%, 33.7% and 27.5% for respective year/period. The Directors believe that such decline was primarily attributable to our Group's heightened scrutiny over the quality of used gold we collect since 2022.

Provincial-dealer E

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	339,719	365,907	454,507	213,430
As a percentage to total revenue (%)	2.0	2.3	2.2	2.1
Gold trade-in (RMB'000)	269,739	152,855	163,747	74,046
As a percentage to total gold trade-in from franchisees and provincial-dealers (%) .	3.3	2.6	2.4	2.7
Gross profit (RMB'000)	7,742	14,810	21,159	18,546
Gross profit margin (%)	2.3	4.0	4.7	8.7

Provincial-dealer E is our provincial-dealer since 2019. It was established in the PRC in 2005 with a registered share capital of RMB3.0 million. It is principally engaged in trading of jewellery and accessories, art pieces, construction raw materials and other sundry supplies. Its ultimate controller is a merchant and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, it was our provincial-dealer in Kunming.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Provincial-dealer E were 79.4%, 41.8%, 36.0% and 34.7%, respectively.

The proportion of sales settled by traded-in gold by Provincial-dealer E in 2021 was higher that the overall trade-in proportion of the Group as a whole. This was largely due to the fact that (i) approximately 62.4% of the used gold traded-in by Provincial-dealer E in 2021 were of third-party brand, with more access to used gold of third-party brands from customers through its sales network, Provincial-dealer E may settle more of its sales with a higher volume of used gold it collected, leading to a higher proportion of sales settled through traded-in gold and (ii) Provincial-dealer E launched a promotional campaign with our Group in its region to promote the sales of gold products with a purity level of 999.99 in 2021, which we offered discount of crafting fees to Provincial-dealer E for trading-in used gold products of our own brand for our gold products of purity level of 999.99 with the intention to encourage end consumers to trade in used gold for such products in that region, which, in turn, led to the increase in the proportion of sales settled by traded-in gold by Provincial-dealer E. As a result, the percentage of sales settled with traded-in gold by Provincial-dealer E in 2021 was above the usual level.

Save for that in 2021, the proportion of sales settled by traded-in gold by Provincial-dealer E was generally in line with the overall proportion of settlement by traded-in gold by provincial-dealers and franchisees out of our total revenue generated from the sales of gold jewellery and other gold products, which amounted to 49.1%, 37.7%, 33.7% and 27.5% for the respective year/period.

Franchisee F

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Sales (RMB'000)	354,965	460,502	605,901	204,236
As a percentage to total revenue (%)	2.1	2.9	3.0	2.0
Gold trade-in (RMB'000)	263,571	285,555	396,415	138,607
As a percentage to total gold trade-in from franchisees and provincial-dealers (%)	3.3	4.9	5.9	5.1
Gross profit (RMB'000)	11,734	14,899	24,314	5,013
Gross profit margin (%)	3.3	3.2	4.0	2.5

We commenced business relationship with the ultimate beneficial owner of Franchisee F since 2012. Franchisee F is a sole proprietorship established in 2018 which primarily engages in retail of jewellery products, and pieces and cosmetics, gold trade-in, and the production and maintenance of jewellery and accessories. Prior to the establishment of Franchisee F, we conducted business with its sole proprietor directly and/or other entities controlled by him/her. The sole proprietor of Franchisee F is an individual jewellery merchant and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, Franchisee F operated 20 franchise stores in total, including 13 franchise stores in Jilin, six franchise stores in Inner Mongolia and one franchise store in Heilongjiang.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by gold trade-in by Franchisee F were 74.3%, 62.0%, 65.4% and 67.9%, respectively. The proportion of sales settled by gold trade-in by Franchisee F decreased from 74.3% in 2021 to 62.0% in 2022 due to our raised standard in accepting used gold in 2022, and such proportion remained stable at 65.4% for 2023 and 67.9% for the six months ended June 30, 2024.

The Directors believe that the proportion of sales settled by gold trade-in by Franchisee F was generally higher than the overall gold trade-in proportion of the Group as it has been operating several franchise stores in different provinces, and has built a strong customer base with a wider geographical coverage, thereby having access to more used gold from its customers and therefore settled sales with higher proportion of traded-in-gold.

Franchisee G

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Sales (RMB'000)	153,828	136,436	168,283	97,835
As a percentage to total revenue (%)	0.9	0.9	0.8	1.0
Gold trade-in (RMB'000)	96,718	86,049	106,340	64,471
As a percentage to total gold trade-in from franchisees and provincial-dealers (%)	1.2	1.5	1.6	2.4
Gross profit (RMB'000)	3,285	4,756	5,270	2,855
Gross profit margin (%)	2.1	3.5	3.1	2.9

We commenced business relationship with the ultimate beneficial owner of Franchisee G since 2011. Franchisee G is a sole proprietorship established in 2020 and it primarily engages in the retail of jewellery and accessories. Prior to the establishment of Franchisee G, we conducted business with its sole proprietor directly and/or other entities controlled by him/her. The sole proprietor of Franchisee G is a jewellery merchant and an Independent Third Party. To the best of our Directors' knowledge, it has no connection with our former employees. As of June 30, 2024, Franchisee G operated nine franchise stores in Shandong province.

Our sales to and our gold trade-in from these major overlapping customer and major gold trade-in parties were (i) entered into after the due consideration taking into account the prevailing market gold price at the relevant times, (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis, and (iii) our gold trade-in policy applies to all our customers to request for gold trade-in settlement to offset part of their purchase price.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the proportions of sales settled by traded-in gold by Franchisee G has remained stable at 62.9%, 63.1%, 63.2% and 65.9%, respectively. There was a slight increase in the proportion of sales settled by traded-in gold by Franchisee G during the six months ended June 30, 2024 as it held the "One RMB Exchange" program in June 2024, which was a promotional event encouraging end consumers to conduct gold trade-in.

The Directors believe that the proportion of sales settled by gold trade-in by Franchisee G was generally higher than the overall gold trade-in proportion of the Group as it has been running several franchise stores and has developed a robust customer base, enabling Franchisee G to reach a larger group of end consumers, thus accessing and receiving more used gold. Accordingly, the proportion of sales settled by traded-in gold by Franchisee G has consistently been higher than the overall gold trade-in proportion of our Group as a whole.

RESEARCH AND DEVELOPMENT

We are committed to and have invested in the research and development of the gold processing techniques, the machinery required for the mass production of gold jewellery and jewellery designs. Backed by our solid research and development, we can independently mass-produce substantially all of our products.

As of June 30, 2024, our research and development department comprises approximately 100 members with average experience of approximately seven years in Company and led by Mr. Wang Zhongshan, our executive Director, our founder and chairman of our Board. Our R&D policy is to work closely and proactively with our sales and marketing department and production department to enhance our understanding of and ability to respond to consumers' preferences while maintaining our cost of production at acceptable levels. We are constantly striving to enrich our research and development capabilities to stay at the forefront of the industry and we did not change our R&D policy in the last five years.

We made substantial investments in intellectual property and as of the Latest Practicable Date, we held 601 patents in the PRC. According to Frost & Sullivan, such number of patents held have exceeded the industry average, demonstrating our commitment to R&D on areas of gold purification technologies, machinery development and jewellery design.

We also implement strict control over our jewellery design and machinery development processes to mitigate the risk of intellectual property infringement and reduce the likelihood of unauthorized replication or imitation by competitors, thus preserving our distinctiveness and market position.

Our Research and Development Emphasis

Our research and development centers around three key focuses: the (1) technology R&D; (2) machinery R&D; and (3) product R&D. The following table sets forth a summary of the three focuses of our research and development:

R&D Center

Technology R&D	Machinery R&D	Product R&D
With our collaboration with strategic R&D parties, we continue to challenge the benchmark of gold purity. We have successfully developed series of products with gold purity of 999.9, 999.99 and 999.999.	We have been and continue to be committed to the automation and digitalized construction of gold jewellery processing. We have successfully developed equipment such as automatic beading machines, automatic welding machines, and automatic engraving machines, covering multiple product processes.	Exhibition type / Signature type / Regular type Our Jewellery design covers exhibition, signature and regular types, which are for products exhibition, for brand promotion and for daily wearing respectively. Our R&D team takes "people, regions, timeliness, and individual preferences" as the core design concept, emphasizing the harmonious coexistence of jewellery and people.

(a) ***R&D on technology***

Our team of research and development personnel in high-precision technology is dedicated to improving our gold purification ability, optimizing jewellery processing technology, and enhancing production capabilities.

To further modernize our production process, we actively introduce new processing equipment, tools, molds, and other advanced technology. This ensures that we remain at the forefront of the industry and continue to provide customers with the highest quality products.

Our technology is developed based on the actual needs of our production.

- Firstly, we focus on improving gold purity to maintain our leading position in producing 999.9 high-purity gold jewellery in the industry.
- Secondly, while maintaining gold purity, we explore low-cost, high-efficiency, and high-quality processing technology to provide customers with value-for-money products.
- Thirdly, we proactively develop new production technology that emphasizes the "lightness (輕), craftsmanship (巧), refinement (精), and aesthetic (美)" of our products.

In addition, by way of R&D, we achieved significant technical breakthrough in the production of high-purity gold jewellery products, including:

- We successfully developed an industry-leading cyanide-free process for producing 999.9 high purity gold, which prioritizes environmental protection and energy efficiency.

- We have adopted our patented technology of "autogenous welding" into our production process. This innovative technique allows us to achieve gold jewellery purity levels of up to 999.999. By minimizing the introduction of impurities during the welding process, we have improved quality issues include discoloration, detachment and wearer allergies. Our Directors are of the view that our technology fills a significant gap in the field of laser and electron beam welding for gold jewellery.

- According to Frost & Sullivan, in 2019, we became the first and one of the very few domestic enterprises with scaled production of 18K-gold spring clasps. Our efforts have resulted in the replacement of imported components with domestically produced ones, effectively reversing the prevailing industry trend of relying on overseas imports for mid-to-high end jewellery spring clasps in PRC, according to Frost & Sullivan.

- We have dedicated efforts in gold purity testing standards. For example, we have developed the "Gold Spectrum and Gold Chemical Standard Sampling," applicable to the detection of high-purity gold with a gold content above 999.95. We have also taken the lead in the drafting of the "High Purity Gold Chemical Analysis Method for the Determination of Impurity Element Content in Ultra-Pure Gold by Glow Discharge Mass Spectrometry" (T/SDAS4-2016), which serves as a testing method for ultra-pure gold in the entire industry.

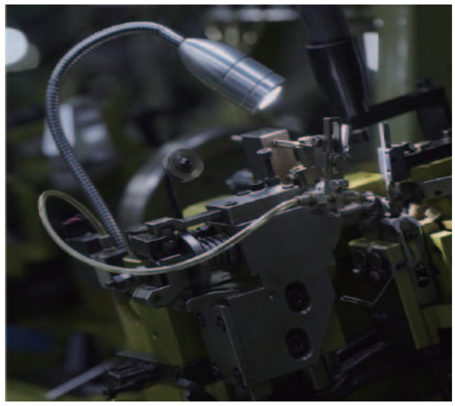
(b) ***R&D on machinery***

Our R&D on machinery allows us to standardize complicated production procedures and achieve high precision automated mass-production of gold jewellery, thus allowing us to be one of the few gold jewellery brands that can independently manufacture and sell gold jewellery products, according to Frost & Sullivan. Our production facilities are equipped with advanced equipment, such as ICP color monitoring equipment, automated bracelet buckle processing equipment, thread knitting machines, CNC automated engraving machines, 3D metrology machine, and digitalized processing center. Our patented machinery include hydrangea engraving machine, hammer chain machine, machine tool for processing patterns on the surface of decorative chains, fully automatic four-axis engraving machine.

To produce high-quality gold jewellery products with precision and efficiency, we have introduced/revamped imported industry-leading production equipment, including robotic arms for accessories flipping, automated carving machines, automatic butterfly chain punching machines, chain loosening machines, and automatic thin wall gold tube necking machine, and precisely calibrated these machinery to suit our production need. As a result of our R&D on machinery, we have developed approximately 300 sets of self-developed production equipment since 2020. Our proprietary equipment, combined with our use of 3D printing technology, CNC precision carving technology and high precision gold crafting techniques, have significantly improved the mechanization and automation of our production process.

We believe our achievement in advancing our production machinery distinguishes us from gold jewellery brands which only focus on jewellery design but relies on gold external manufacturers or imported machinery for production. At the same time, backed with our solid research and development and proprietary machinery, we can actively fine tune our production process, self-improve our product quality, and provide production trial support to our jewellery design department.

Photos: Our various production equipment

	
ICP color monitoring equipment	**Automated bracelet buckle processing equipment**
	
Thread knitting machines	**CNC automated engraving machines**
	
Three-dimensional metrology machine	**Digitalized processing center**

(c) ***R&D on products***

Our product portfolio encompasses a wide range of fine jewellery products, including rings, necklaces, pendants, bangles, earrings, brooches, bracelets, and more. This diverse range provides our customers with ample choices for different occasions, such as daily wear, weddings, and gifts for newborns.

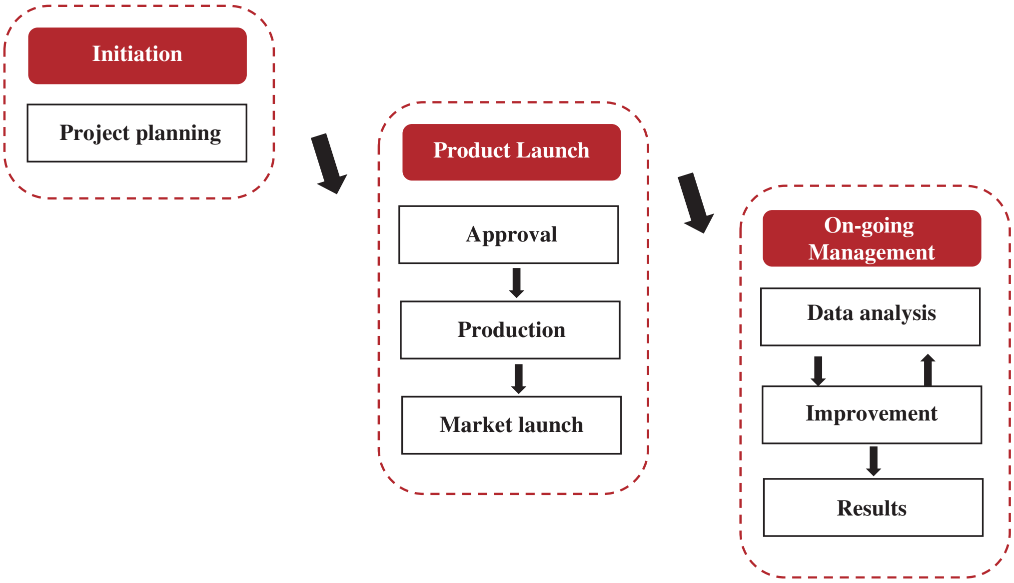
We innovate to meet current market trends and satisfy the needs of different types of customers. Our design team creates hundreds of new jewellery designs every year. One of the most salient features of our products is that we employ the traditional technique of "gold and silver fine crafting" (金銀細工製作技藝) in our production process, which is an ancient jewellery crafting technique that was recognized as a Chinese intangible cultural heritage in 2008, combining with our patented technology of "autogenous welding" (無焊料焊接), we are committed to preserve Chinese cultural heritage and to showcase the beauty of traditional craftmanship through our high quality gold jewellery.

With our broad online and offline sales channels and product portfolio, we can reach different customer segments and further penetrate the consumer markets. Our jewellery designers have participated in multiple jewellery design exhibitions, winning gold and silver awards in domestic competitions and other honors. We have attained some key recognitions as below:

- in 2013, our gold jewellery crafting technique was shortlisted in the "Third Batch of Provincial Intangible Cultural Heritage of Shandong Province" (山東省第三批省級非物質文化遺產代表性項目名錄);
- in 2018, our founder Mr. Wang was named as one of the "Fifth Batch of Inheritors of Provincial Intangible Cultural Heritage of Shandong Province" (山東省第五批省級非遺項目傳承人名單) with the gold and silver fine crafting techniques;
- in 2022, we launched the "Five '9's high purity gold product line" (五九億純金系列產品) finely crafted by our gold and silver fine crafting techniques", which was subsequently recognized as one of the "Shandong handcrafts 100" (山東手造優選100); and
- in 2023, we collaborated with the Beijing Eight Imperial Handcrafts Association (北京燕京八絕協會), Beijing Eight Imperial Handcrafts Museum (北京燕京八絕博物館) and the inheritor of the Eight Imperial Handcrafts (燕京八絕傳承人) to develop new products combining the traditional filigree inlaying techniques with lacquerware carving (漆雕) and golden lacquer (金漆鑲嵌) to promote and raise awareness for Chinese intangible cultural heritage handcrafts.

Equipped with such valued knowledge and engineered by our well-integrated design and production capability, we have been able to continuously innovate and broaden our jewellery portfolio. We continuously introduce new gold jewellery that emphasizes on the "lightness (輕), craftsmanship (巧), refinement (精), and aesthetic (美)" of our jewellery.

The following sets forth our procedures in jewellery design:



For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our research and development expenses were RMB10.7 million, RMB13.5 million, RMB17.5 million and RMB11.3 million, respectively. Our research and development expenditure primarily includes staff costs of our R&D staff and consumables.

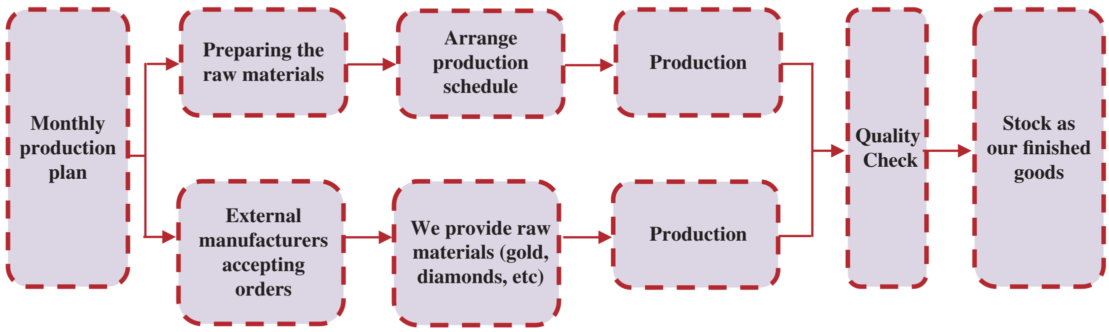
PRODUCTION

It had been our corporate strategy since our establishment to differentiate ourselves from other gold jewellery brands by possessing the ability to mass-produce with advanced equipment in the production phase. During the Track Record Period, we manufactured substantially all of our products sold, which far exceeds the self-production rate amongst our industry peers according to Frost & Sullivan.

We have invested in our hardware production facilities and introduced digitalized equipment to our production line, including CNC processing centers, high-precision wire electrical discharge machining, nine-axis engraving machines, and automatic laser welding machines. Such production capacity allows us to enhance the quality and efficiency of our gold jewellery production through better control of our production process from identifying the quality of raw materials used, adopting standardized quality control, and final product sample testing.

We place great emphasis on innovation and optimization in our production process and are committed to refining the technology utilized in mechanical processing, automation, and purification of raw materials, as well as mold-making. To achieve this goal, we have developed production lines that incorporate some of our self-developed patented production equipment with the aim of improving the efficiency, cost-effectiveness, and quality of our products.

We adopt a production model in which we conduct purification and processing at our own self-owned production facility. However, for certain jewellery products which we believe is not commercial for us to produce on our own, we outsource the production to external manufacturers. During the Track Record Period, the cost of sales incurred for products produced by external manufacturers constitute a de minimis amount of our total cost of sales. According to Frost & Sullivan, during the Track Record Period, our self-production rate far exceeds that of our industry peers, which was approximately 20% during the same period. Our production process is summarized as below:



Production in our self-owned production facility

We emphasize on retaining our own in-house production capabilities and for better protecting our proprietary production know-how. Unlike competitors who rely on outsourcing the core production and crafting of gold jewellery to external parties, we maintain a competitive strength by fully controlling and executing the entire production process in-house. Such dedication gives us quality control over our finished goods, better keeping of proprietary production know-how and allows us to timely meet the demands of our customers. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our self-production rates for gold products were 96.8%, 97.8%, 89.9%, and 92.8%, respectively. During the same periods, our self-production rates for K-gold products were 92.3%, 92.8%, 99.8%, and 98.5%, respectively.

Our strength in production capability is fundamental to our ability to meet customer demands in an efficient matter. We treasure and maintain the intangible cultural heritage production techniques, that include the traditional technique of "gold and silver fine crafting" (金銀細工製作技藝) in our production process, which is an ancient jewellery crafting technique that was recognized as a Chinese intangible cultural heritage in 2008 and further enhanced our automated and digitized production capacity, including our patented technology of "autogenous welding". In turn, we have constructed an efficient production chain, that is in close collaboration with our design team. We believe our manufacturing separates us from our peers and gives us an edge in a rather competitive market.

Our production proportion breakdown and the economic benefit of production in our self-operated facilities

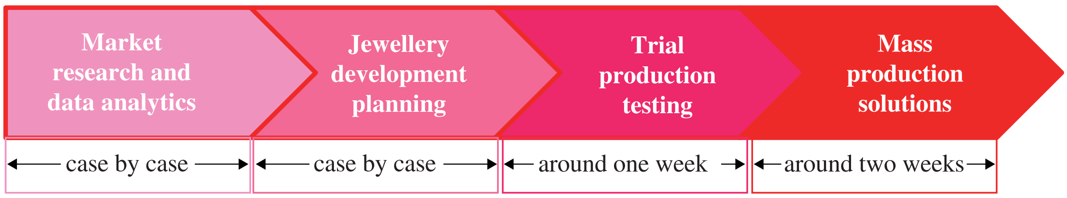
The following table sets forth the comparison of our costs incurred for production of gold products and K-gold products in our self-operated production facilities and through entrusting external OEMs during the Track Record Period:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Weight of gold jewellery processed	Cost incurred	Average cost per gram of gold jewellery processed	Weight of gold jewellery processed	Cost incurred	Average cost per gram of gold jewellery processed	Weight of gold jewellery processed	Cost incurred	Average cost per gram of gold jewellery processed	Weight of gold jewellery processed	Cost incurred	Average cost per gram of gold jewellery processed
	(kg)	(RMB'000)	(RMB/g)	(kg)	(RMB'000)	(RMB/g)	(kg)	(RMB'000)	(RMB/g)	(kg)	(RMB'000)	(RMB/g)
Gold products												
• Our self-operated production facilities	47,189.8	70,461	1.49	41,566.3	71,602	1.72	43,558.4	80,474	1.85	18,242.4	37,689	2.07
• External OEMs	1,544.9	10,813	7.00	933.1	6,291	6.74	4,919.4	35,277	7.17	1,411.3	10,126	7.17
K-gold products												
• Our self-operated production facilities	2,700.3	21,763	8.06	2,231.7	25,190	11.29	2,621.2	45,305	17.28	784.4	16,173	20.62
• External OEMs	225.8	4,841	21.46	174.1	3,519	20.22	5.1	127	24.64	11.8	305	25.83

The average costs per finished goods of production of gold jewellery in our self-operated production facilities were significantly lower than that of entrusting external OEMs. During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the average costs of production of gold products in our self-operated production facilities when compared to that of entrusting external OEMs were RMB5.5, RMB5.0, RMB5.3 and RMB5.1 cheaper per gram of gold jewellery processed; and the average costs of production of K-gold products in our self-operated production facilities when compared to that of entrusting external OEMs were RMB13.4, RMB8.9, RMB7.4 and RMB3.5 cheaper per gram of gold jewellery processed. Accordingly, with such costs difference, it is more economical for us to produce gold jewellery and K-gold products in our self-operated facilities, which offers us competitive advantages over competitors who outsource production to external OEMs. While our self-production volume increased in 2023, our self-production rate declined primarily due to the demands of our national franchisee sales conference held in 2023, which led to increased subcontracted production to fulfill the event's product demand.

(a) ***Integration of design and production***

Our product development process is summarized as follows:



Market research and data analytics:

Our designers and technical personnel conduct market research through visiting our self-operated stores, franchise stores, and reaching out to our consumers. We also monitor the global fashion trend of gold and jewellery products and analyze customer satisfaction with our product quality while gathering feedback from customers.

Jewellery development planning:

Our jewellery development strategies are rooted in market research and data analytics, which provide us with valuable insights and ideas. To understand consumers' preference across our various sales channels, we collect and analyze consumer data, including sales volumes and geographical distribution of local sales. This approach ensures that our jewellery meet the evolving needs and preferences of our customers while also reflecting the recent trends in the industry. Our design team collaborates closely with our production team, aiming to ensure that the final jewellery designs are not only aesthetically pleasing but also feasible for mass production.

Trial production testing:

Our production team conducts trial production testing for our new products. We initiate the process by analyzing and determining the production method and techniques to be employed. For jewellery casting, the preferred approach is to utilize 3D modeling for the trial production phase. Depending on the specific requirements, other production methods such as laser cutting, CNC, wire drawing with CNC, or engraving may be employed. These different methods and techniques are chosen based on the product design and desired outcome. We continuously refine the key parameters of our machine tools used in the production process and solve the problems and technical barriers encountered during the trial production process.

Mass production solutions:

Our production team then carries the experience gained in the trial production testing phase and develop it into new product mass production solutions. Our research and development department on machinery takes the lead in modifying and refurbishing our existing mechanical equipment to meet with the production need for our evolving new products.

(b) ***Purification of raw materials and high precision testing***

The production of high purity gold jewellery requires comprehensive capacity including procurement, refining, and gold purity-testing capabilities.

- In terms of procurement:
  - we are a special member of the Shanghai Gold Exchange and may directly purchase gold materials from the Shanghai Gold Exchange, thereby ensuring the quality of raw materials procured for production.
- In terms of gold purification:
  - we have developed our self-owned production facility currently with an annual gold purification capacity of approximately 30 tons.
  - Through an integrated production layout, we are capable of carrying our jewellery production processes using gold with purity levels of 999.9 to 999.99 refined by ourselves as raw materials.
  - We possess three invention patents for gold refinery, which can be applied for purified gold to 999.999 purity level.
- In terms of gold purity testing capabilities:
  - we have advanced testing equipment such as ICP (Inductively Coupled Plasma) emission spectrometry, ICP-MS (Inductively Coupled Plasma Mass Spectrometry), and spark direct-reading devices.
  - We have also drafted the "High-purity Gold Chemical Analysis Methods for Determination of Impurity Element Content in Ultra-Pure Gold by Glow Discharge Mass Spectrometry" (《高純金化學分析方法雜質元素含量的測定輝光放電質譜法》) (T/SDAS4-2016), which provides the testing basis for detection of gold purity level in ultra-high purity gold.
  - Through these self-developed technologies, we are able to constantly monitor the quality and gold purity level of our gold jewellery products, which in turn, equips us with the appropriate technologies to ensure strict quality control over our gold jewellery.

(c) *Production facilities and mold development and production*

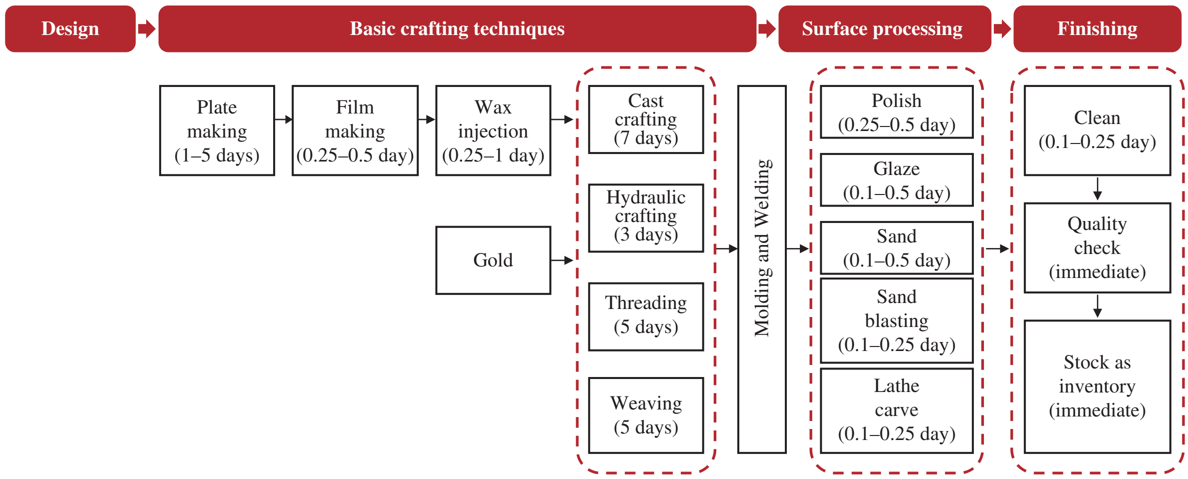
We have an advanced production facilities capable of automated crafting, and we utilize cutting-edge technology to achieve multi-dimensional product innovation. The application of 3D printing technology on mold development enables us to quickly respond to the personalized needs of the market, solve the problems that conventional technology cannot break through, and create a flexible supply chain. The introduction of CNC (雕刻技術) machineries to the production process enables us to process complex surfaces of fine jewellery that are difficult to process using conventional methods. In addition, with our advanced technology on hard gold processing, we had created high-purity hard gold jewellery that possess the stiffness of not less than 60 HV scale.

We possess advanced automated production equipment and techniques in a modern and digitalized production chain for the production of high-quality gold jewellery. Through independent operation and patent transfer, we believe we have further advanced the gold jewellery industry by introducing mass-produced yet delicate gold jewellery.

For instance, the production of gold jewellery and bracelet components requires high levels of mass production capacities in terms of available molds and existing production equipment. Due to the high precision requirements of gold jewellery and bracelet components, ordinary molds often fall short of meeting the criteria in terms of purity. However, we possess the ability to produce high-precision molds using industrial 3D printers and other technologies. This allows us to shorten the time required for mold-making to a few hours, which could have taken a few days when using a traditional mold-making production model.

We have also effectively improved production efficiency and precision in our jewellery craftsmanship. For example, high-precision wax films produced by 3D printing can be cast into jewellery for direct polishing, forming part of the final product. This speeds up our production time, in particular for gold jewellery with complex structure and helps us meet the efficiency requirements for and minimize raw material waste during the mass production.

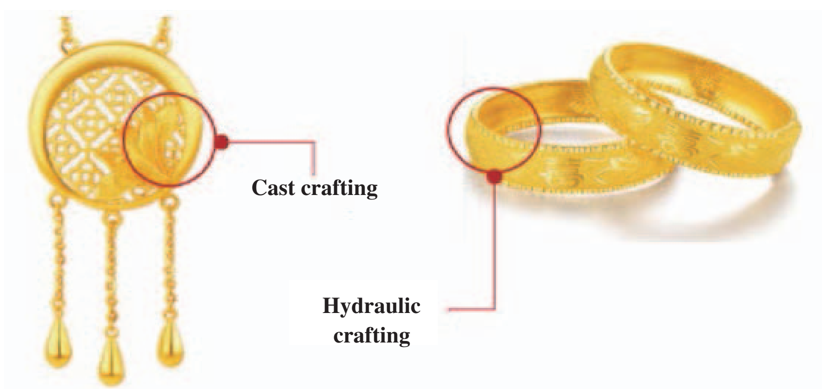
The production process of our major products is summarized and illustrated in the diagram below:

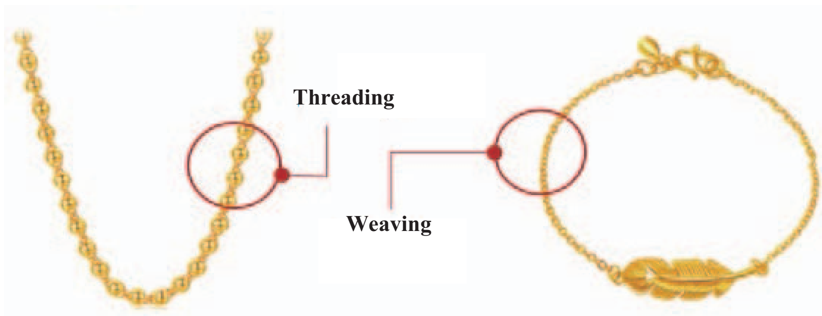


i. *Processing of gold and K-gold jewellery*

The major production processes of gold and K-gold jewellery are largely similar, with slight differences in production process depending on the jewellery type. The processing of gold and K-gold jewellery mainly includes four basic procedures：cast crafting (澆鑄), hydraulic crafting (油壓), threading (抽絲), and weaving (機織). Based on specific design requirements of the final jewellery, different surface treatments will be applied to the semi-finished jewellery and will be stored and shipped.

The four major processing types can be manifested in the final jewellery as shown below:





ii. *Production of diamond inlaying jewellery*

Our diamond inlaying products are primarily gold bracelets decorated with diamonds. After crafting the gold jewellery with the aforementioned process, we will proceed with inlaying diamond on top of the gold bracelets. The diamond inlaying process is set out in the flowchart below:

Cast crafting → Molding → Typeprint → Stone inlaying → Trimming → Polishing → Cleaning → Inspection

(d) *Digitalized production of gold jewellery*

We have incorporated high-precision, automated, and digitalized machinery into the production process of gold jewellery, forming an automated and digitalized production chain from design to processing and sales of gold jewellery. Our effort in incorporating traditional crafting techniques into digitalized machinery not only preserves the intangible cultural heritage production process of gold and silver fine crafting but also integrates these techniques into an industrialized and high-precision production mode.

We research on and develop machinery, revamp our imported equipment and adopt digitalized production of gold jewellery to ensure:

1. *Efficiency and Precision:* Our advanced production systems adopts a high level of digitalization and automation, including computer-aided design (CAD) and computer-aided manufacturing (CAM), enable precise and accurate jewellery designs. These technologies eliminate the need for manual drafting and handcrafted models, reducing the likelihood of errors and enhancing the overall efficiency of the production process. It also enables us to track, monitor, control, and optimize the end-to-end production processes on a real-time basis, from planning and scheduling to procurement and warehousing, and from production to finished goods transporting. Our automated warehousing enables us to enhance operational efficiency.

2. *Faster time-to-market:* our mold creation know-how allows for faster prototyping and production cycles. Designs can be created, modified, and tested digitally, reducing the time required for traditional manual processes. This enables us to bring new jewellery designs to market more quickly, staying ahead of trends and meeting consumer demands in a timely manner.

3. *Customization and personalization:* With our advanced digital tools, it becomes easier to offer customization and personalized jewellery options to consumers. Design software allows for the creation of unique designs tailored to individual preferences, enabling a more personalized purchasing experience. This capability enhances consumer satisfaction and increases our competitive advantage.

4. *Cost savings:* Computer simulations can be used to optimize material usage and reduce waste. Additionally, automation and robotics can be incorporated into the production line, streamlining operations and reducing labor costs. Overall, digitalized production can improve our cost efficiency and profitability.

5. *Scalability and flexibility:* Our production systems are inherently scalable and flexible. They allow for easy replication of designs and scaling up production volumes as needed. Digital files of jewellery designs and crafting techniques can be stored and retrieved easily, eliminating the need for physical inventory and reducing storage costs. It also eliminates human error and flaws in crafting the desired design patterns. This scalability and flexibility enable us to efficiently manage production volume fluctuations.

Our ultimate goal in adopting digitalized manufacturing is to accommodate the rising trend of large-scale commercial customization of gold jewellery, including increased efficiency, faster time-to-market, customization capabilities, cost optimization and scalability. As PRC's consumption trend shifts towards personalized and diversified consumption needs according to Frost & Sullivan, we aim to meet this demand by developing processing machinery and molds according to production needs. Our digitalized flexible production allows us to modify our processing equipment and processes quickly, adapt to different production models, and cater to different product needs and design requirements. This agility enables us to respond quickly to market demand and improve the competitiveness of our products.

(e) *Production Capacity*

The following table sets out the optimal production capacity and the actual production volume of our gold jewellery products in our production facility during the year/period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Actual production volume of gold jewellery products (kg)(1) and (2)	47,190	41,566	43,558	18,242
Optimal production capacity of gold jewellery products *(kg)*(2) and (4)	50,000	50,000	50,000(5)	25,000
Utilization rate(3)	94.4%	83.1%	87.1%	73.0%

Notes:

(1) Our production scale is flexible depending on factors such as workforce, work hours and equipment. Our optimal production capacity is calculated based on the optimal hourly production rate of various machines and the workforce available operating 12 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).

(2) Production volume refers to actual output for the relevant year/period.

(3) The utilization rate is calculated by dividing the actual production volume of gold jewellery products by the optimal production capacity of gold jewellery products for the same year/period.

(4) The optimal production capacity are adjusted by the duration of the reporting period (i.e. 50% production capacity for six months period).

(5) Despite the relocation of our production facilities, our optimal production capacity of gold jewellery remained the same as we maintained our previous production lines.

The lower utilization rate for the year ended December 31, 2022, was primarily attributed to a significant number of our employees diagnosed with COVID-19 in the fourth quarter of 2022, which in turn were stemmed from measures implemented to control the most recent pandemic. It was in line with our relatively lower sales volume of gold jewellery products during the same year. The lower utilization rate for the six months ended June 30, 2024 was mainly attributed to a slower sales, whereby our sales volume decreased by 10.4% for the six months ended June 30, 2024 when compared to the same period in 2023. Our sales volume decrease was generally in line with (and slightly better than) that of the industry, which observed a period-to-period decrease of 26.7%. For the three months ended September 30, 2024, our utilization rate was 90.8%. The increase in our utilization rate for the three months ended September 30, 2024 was primarily due to the increase in demand for our products during the "One RMB Exchange" promotion.

The following table sets forth the purification capacity and utilization rate of our purification facilities during the years/period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Actual volume of gold purified *(kg)*[(1)]	13,702	7,577	6,270	7,246
Optimal purification capacity *(kg)*	30,000	30,000	30,000	15,000
Utilization rate[(2)]	45.7%	25.3%	20.9%	48.3%

Notes:

(1) The actual volume of gold purified decreased from 13,702 kg in 2021 to 7,577 kg in 2022, and then to 6,270 kg in 2023. This decline aligns with the decreasing trend in the weight of gold trade-ins we received during the Track Record Period. The actual volume of gold purified increased to 7,246 kg and the utilization rate for our purification facilities increased to 48.3% for the six months ended June 30, 2024 mainly because we increased the proportion of gold products of 999.99 purity level in our product mix. The gold raw materials we procured from Shanghai Gold Exchange were of purity level of 999.9 such raw materials, together with the gold jewellery products of purity level of 999.9 or above we collected from customers and/or end-consumers through gold trade-in, can be used directly for production without purification when we produce gold products of 999.9 purity level. Since we adjusted our product mix in 2024 to increase the proportion of gold products of 999.99 purity level, all raw materials we procured from Shanghai Gold Exchange and used gold of purity level less than 999.99 were required to be refined for production of such product. Accordingly, the volume of gold purified for the six months ended June 30, 2024 increased.

(2) The utilization rate is calculated by dividing the actual volume of gold purified by the optimal purification capacity for the same year/period.

Production Expansion Plan

In order to further elevate our production capabilities, we plan to upgrade our existing production facilities in Changle County, Weifang City, Shandong Province, the PRC. We follow several key steps in upgrading our production facilities, namely (i) engineering and construction preparation, (ii) equipment sourcing, (iii) equipment installation, (iv) staff training, (v) equipment testing, and (vi) pilot operation.

The table below sets forth the details of our estimated capital expenditure, additional planned annual production capacity and expected timeline of our intended production expansion plan.

Location of intended expansion	Key products	Estimated capital expenditure (RMB'000)	[REDACTED] from the [REDACTED] to be applied (RMB'000)	Expected timeline of completing operation
Economic and Technological Development Zone in Changle County, Weifang City, Shandong Province, the PRC	Gold jewellery and K-gold products and spring clasps	[REDACTED]	[REDACTED]	February 2026

Production Expansion Descriptions

We intend to upgrade our production facilities with a total estimated investment amount of approximately RMB[REDACTED] million, which operations have already been commenced since March 2019. With the completion of the upgrade, we expect to see an increase in our annual production capacity of (1) gold jewellery and K-gold products and (2) spring clasps by approximately 30 tons each. The expected investment payback period for the upgrade of our production facilities is 11.6 years commencing from 2022. Investment payback period refers to the time needed for the net profits after tax generated from operating the upgraded production facilities to equate the total costs paid for upgrading the production facilities.

In order to maximize our production expansion plan and fully utilize our newly constructed major production workshop, we plan to purchase the manufacturing equipment, as following:

Manufacturing equipment	Total cost	Quantity of equipment to procure	Unit Price	Function of the equipment
CNC Gold Product Processing Machine (CNC金飾品加工中心機)(1)	RMB[REDACTED]	Two units	RMB[REDACTED]	Used for engraving and milling complex patterns and textures on gold product
Single-Spindle Automatic Tool-Change Five-Axis Engraving Machine (單主軸自動換刀快速車花雕銑五軸機)(1)	RMB[REDACTED]	Three units	RMB[REDACTED]	A single-spindle engraving machine for gold jewellery, suitable for processing gold at few positions

Manufacturing equipment	Total cost	Quantity of equipment to procure	Unit Price	Function of the equipment
Film Chain Weaving Machine (菲林鏈織鏈機)[1]	RMB[REDACTED]	Three units	RMB[REDACTED]	For the production and assembly of blanks, with arrangement for laser welding
Sewage Treatment Equipment[2]	RMB[REDACTED]	One set	RMB[REDACTED]	Used to treat wastewater generated during the production of gold jewellery and K-gold products

Notes:

(1) We plan to procure two sets of CNC gold product processing machines, three units of single-spindle automatic tool-change five-axis engraving machines, and three units of film chain weaving machines to meet our gold jewellery production needs. With enhanced production capacity, we aim to: (i) ensure the quality of our products; (ii) enhance the efficiency of our production processes and labor; (iii) ensure on-time production and delivery of our products; (iv) accommodate urgent and/or bulk orders received from time to time; and (v) achieve optimal usage and maintenance of our production machinery and equipment.

(2) We have sewage treatment equipment in our manufacturing facility in Changle. We plan to procure one additional set of sewage treatment equipment for our major production facilities to treat wastewater based on our future expansion needs.

Reasons for Production Expansion

We develop our production expansion plans based on, among other things: (i) estimated supply and demand for relevant products; (ii) prevailing and anticipated prices for relevant products; (iii) utilization of existing manufacturing facilities and feasibility for expanding existing facilities; (iv) estimated cost of development; and (v) availability and cost of capital resources. Our production expansion plan is primarily based on our understandings of business plans, product planning, potential demands for existing and new products and expected customers' needs in the coming years.

We are confident in the viability of our expansion plan, supported by the below factors.

During the Track Record Period, despite a slight decrease in revenue for the year ended December 31, 2022, attributable to the impact of the pandemic, our overall revenue demonstrated an upward trend. Our revenue increased from RMB16,871.0 million for the year ended December 31, 2021 to RMB20,208.6 million for the year ended December 31, 2023, indicating a positive outlook for our expansion plan.

With our substantial investment in upgrading of production facility, we are well-positioned to meet customer demand and support our rapid business growth. There is no guarantee that any of the expansion projects will proceed as planned. We remain open to investing in additional expansion projects as we continue to expand our business and capitalize on market opportunities.

(f) *Production machinery and equipment*

During the Track Record Period, our production machinery and equipment were mainly purchased in the PRC or self-developed. The table below sets forth the details of on our major machinery and equipment as of June 30, 2024:

Type of machinery/ equipment	Principal functions	Units	Approximate average age (year)(1)	Approximate average remaining useful lives (year)(2)
Spring clasps production equipment	manufacture spring clasps	175	10	8.7
Turning and milling compound CNC processing centers	processing high-end precision shaped molds and equipment parts	1	10	6.9
Five-axis CNC processing centers	machining of complex molds and equipment parts shapes	1	10	6.9
Tablet press machine	rolled precious metal sheets for efficient supply of high quality sheets for stamped fittings and spring-buttoned tubes	1	10	8.1
Coordinate machine for metrology	measurement of workpiece dimensions and data inspection of machined workpieces	1	10	8.4

Notes:

(1) The average age of the machinery and equipment is calculated based on the total time since the machineries or equipments of the same category had been put into use divided by the number of units of the machinery or equipment.

(2) The remaining useful life of the machinery is calculated based on the estimated useful life deducted the average age of the machinery.

We adopt the straight line method to recognize the depreciation of our machinery and equipment.

Outsourcing to external manufacturers

We carry out substantially all of the high-purity gold processing and jewellery design and production process ourselves. However, we also engage external manufacturers to produce gold jewellery and diamond products. As confirmed by our Directors, during the Track Record Period, all the external manufacturers engaged by us were Independent Third Parties.

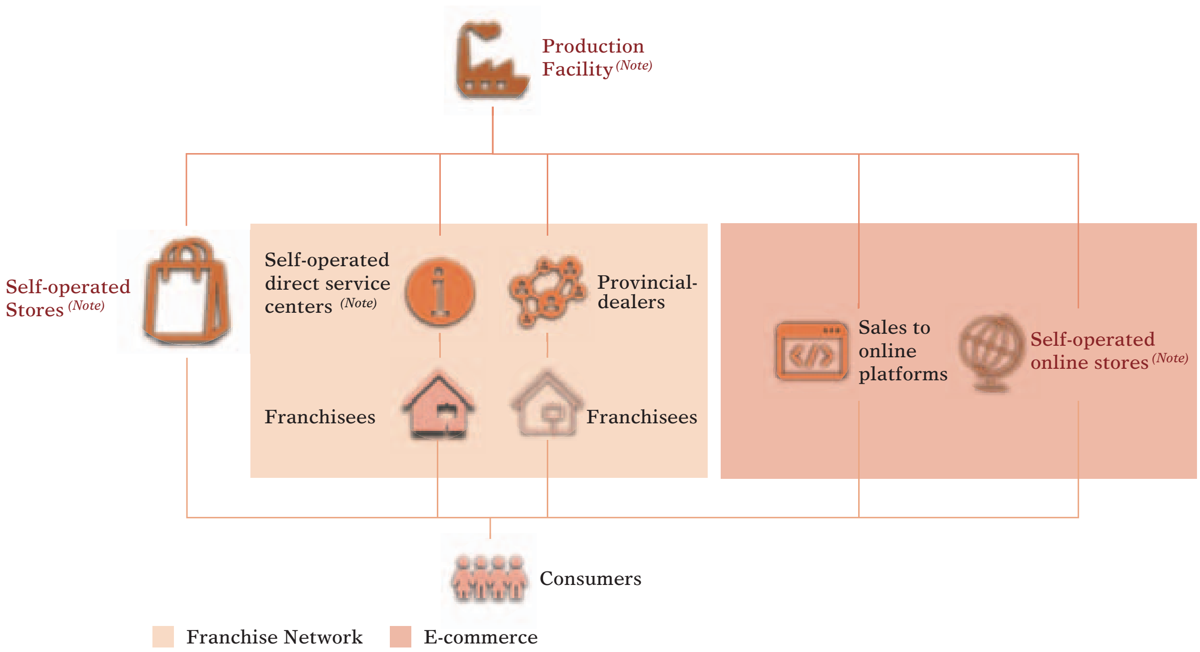
When outsourcing our production, we provide external manufacturers with major raw materials such as gold and/or diamonds and pays auxiliary material costs and processing fees to external manufacturers. We have worked with some of these external manufacturers for around two to five years. We have not entered into any long-term contract with these external manufacturers and services are provided on an as required basis. Each invoice for the work to be done will specify, among other things, a description of the product, weight of the product, cost and the work required to be done. The fee payable to these external manufacturers is calculated based on the type and amount of products processed.

Our stable cooperation with external manufacturer effectively enhances our production capacity and enriches our product portfolio. According to our internal policy, we have developed detailed and comprehensive evaluation criteria in selecting external manufacturers, under which we will consider external manufacturers' industrial capabilities, reputation, technical skills, design and research capabilities, and quotations when choosing appropriate external manufacturers. We will review the qualifications of our existing external manufacturers on annual basis.

During the Track Record Period, the cost of sales incurred for products produced by external manufacturers constituted a de minimis amount of total cost of sales. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our outsourcing rates for gold products were 3.2%, 2.2%, 10.1%, and 7.2%, respectively. During the same periods, our outsourcing rates for K-gold products were 7.7%, 7.2%, 0.2%, and 1.5%, respectively.

SALES AND DISTRIBUTION CHANNELS

As of June 30, 2024, we had established a franchise network covering 2,850 franchise stores, operated by 1,670 franchisees, seven self-operated direct service centers and 17 provincial-dealers, as well as 36 self-operated stores and online stores on major e-commerce platforms in our consumer network. For further information, see "— franchisees and provincial-dealers management". The following diagram illustrates our goods flow in our distribution channels.



Note: Our Group's in-house operation.

Revenue by Distribution Channels

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

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Franchise network	14,772,630	87.6	14,836,284	94.4	18,923,195	93.7	8,851,440	95.1	8,207,527	82.3
— Franchisees	*9,409,225*	*55.8*	*9,629,142*	*61.3*	*12,273,776*	*60.8*	*5,906,356*	*63.5*	*5,755,003*	*57.7*
— Provincial-dealers	*5,363,405*	*31.8*	*5,207,142*	*33.1*	*6,649,419*	*32.9*	*2,945,084*	*31.6*	*2,452,524*	*24.6*
E-commerce sales	1,608,263	9.5	364,473	2.3	750,705	3.7	172,095	1.8	1,318,687	13.2
— Self-operated online stores	*79,108*	*0.5*	*233,641*	*1.5*	*651,431*	*3.2*	*118,279*	*1.3*	*412,632*	*4.1*
— Sales to platform	*1,529,155*	*9.0*	*130,832*	*0.8*	*99,274*	*0.5*	*53,816*	*0.5*	*906,055*	*9.1*
Self-operated stores	356,146	2.1	366,488	2.3	412,216	2.0	226,708	2.4	200,108	2.0
Others(Note 1)	133,961	0.8	156,970	1.0	122,483	0.6	65,970	0.7	253,422	2.5
Total	**16,871,000**	**100.0**	**15,724,215**	**100.0**	**20,208,599**	**100.0**	**9,316,213**	**100.0**	**9,979,744**	**100.0**

Note:

(1) Others include sales in relation to subcontracting production for independent third party and tailor-made products for specific customers.

From 2021 to 2023, our revenue from franchise network generally increased mainly as a result of the growth in our direct sales to franchisees through our direct service centers. While for the six months ended June 30, 2024, revenue from our franchise network generally decreased when compared to the same period in 2023 as consumer sentiments were affected by the economic condition and gold price in general.

Our revenue from e-commerce sales fluctuated during the Track Record Period. While e-commerce sales through our self-operated online stores generally increased during the Track Record Period, our e-commerce sales to platforms fluctuated in correlation to demand from online platforms in accordance to such platform's promotion events during the same period. In particular, our revenue from e-commerce sales increased materially in 2021 and for the six months ended June 30, 2024 because of our sales of gold bullion to a leading PRC online discount retailer, Vipshop, for their promotion events during the respective year/period.

Our revenue from self-operated stores generally increased during the Track Record Period, while our revenue from others sales channel fluctuated based on (i) the demand for subcontracted production from independent third parties, (ii) our tailor-make products for specific customers and (iii) sales of gold raw materials to an Independent Third-Party.

For further details, please see "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Revenue breakdown by distribution channels".

Key Operating Metrics

The following tables set forth certain key operating metrics as of the dates or for the years/as of the period indicated:

	Year ended/As of December 31,			Six months ended/ As of June 30,
	2021	2022	2023	2024
Distribution channel				
Number of franchisees at the end of year/period	1,721	1,704	1,687	1,670
Number of franchise stores as of the end of the year/period	2,680	2,743	2,817	2,850
Number of self-operated stores as of the end of the year/period	31	32	35	36
Number of direct service center as of the end of the year/period	7	7	7	7
Number of provincial-dealers as of the end of the year/period	17	17	17	17
Number of e-commerce platforms as of the end of the year/period	10	13	12	12
Procurement of gold as raw material for production				
Total material costs *(RMB'000)*	16,182,592	14,817,208	18,916,211	9,254,701
Amount of gold obtained from the Shanghai Gold Exchange *(kg)*				
• Direct procurement	23,027.1	23,480.1	30,325.5	13,357.8
• Gold loans obtained from commercial banks	1,795.0	1,390.0	1,589.0	730.0
Gold trade-in amount *(kg)*	24,766.4	17,158.4	16,987.7	5,969.5
Total sources of gold *(kg)*	49,588.5	42,028.5	48,902.2	20,057.3
Details for gold trade-in arrangement				
Number of franchisees conducted gold trade-in with us during the year/period	753	727	692	729
Consideration settled by gold trade-in during the year/period *(RMB'000)*				
• Consumers from our self-operated stores	111,028.5	96,690.5	114,025.5	58,937.9
• Franchise stores	5,005,506.0	3,870,742.1	4,549,877.9	2,039,239.9
• Provincial-dealers	3,072,306.8	1,926,673.4	2,142,820.2	661,843.5
Total consideration settled by gold trade-in during the year/period *(RMB'000)*	8,188,841.3	5,894,106.0	6,806,723.6	2,760,021.3
Our production capacity				
Actual production volume of gold jewellery products during the year/period *(kg)*[(Note 4)]	47,190	41,566	43,558	18,242
Optimal production capacity of gold jewellery products during the year/period *(kg)*[(Note 5)]	50,000	50,000	50,000	25,000
Utilization rate of our production capacity during the year/period *(%)* [(Note 1)]	94.4	83.1	87.1	73.0
Our purification capacity				
Actual volume of gold purified *(kg)*[(Note 2)]	13,702	7,577	6,270	7,246
Optimal purification capacity *(kg)*	30,000	30,000	30,000	15,000
Utilization rate of our purification capacity during the year/period *(%)*[(Note 3)]	45.7%	25.3%	20.9%	48.3%

Notes:

1. The utilization rate of production capacity is calculated by dividing the actual production volume of gold jewellery products by the optimal production capacity of gold jewellery products for the same period. The lower utilization rate for the six months ended June 30, 2024 primarily resulted from slower sales as our sales volume decreased by approximately 10.4% compared to the six months ended June 30, 2023. Our sales volume decrease was generally in line with (and slightly better than) that of the industry, which observed a period-to-period decrease of 26.7%. For the three months ended September 30, 2024, our utilization rate was 90.8%. the increase in our utilization rate for the three months ended September 30, 2024 was primarily due to the increase in demand for our products during the"One RMB Exchange" promotion.

2. The actual volume of gold purified decreased from 13,702 kg in 2021 to 7,577 kg in 2022, and then to 6,270 kg in 2023. This decline aligns with the decreasing trend in the weight of gold trade-ins we received during the Track Record Period. The actual volume of gold purified increased to 7,246 kg and the utilization rate for our purification facilities increased to 48.3% for the six months ended June 30, 2024 mainly because we increased the proportion of gold products of 999.99 purity level in our product mix. The gold raw materials we procured from Shanghai Gold Exchange were of purity level of 999.9 such raw materials, together with the gold jewellery products of purity level of 999.9 or above we collected from customers and/or end-consumers through gold trade-in, can be used directly for production without purification when we produce gold products of 999.9 purity level. Since we adjusted our product mix in 2024 to increase the proportion of gold products of 999.99 purity level, all raw materials we procured from Shanghai Gold Exchange and used gold of purity level less than 999.99 were required to be refined for production of such product. Accordingly, the volume of gold purified for the six months ended June 30, 2024 increased.

3. The utilization rate of purification capacity is calculated by dividing the actual volume of gold purified by the optimal purification capacity for the same year/period.

4. Production volume refers to actual output for the relevant year/period.

5. Our optimal production capacity is calculated based on the optimal hourly production rate of various machines and the workforce available operating 12 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).

Our Franchise Network

Our franchise network comprises two channels, namely: (i) through our self-operated direct service centers and then through franchisees and (ii) through provincial-dealers and then through franchisees. Given consumer mobility, there are instances where consumers make overlapping purchases at our franchisees and self-operated stores as they travel to different regions/markets. In order to mitigate the competition between franchisees and our self-operated stores, when considering an application for new franchisee and/or establishing a self-operated store, we analyze the market demand of the particular region/market and take into consideration of the density of existing franchise stores and/or self-operated stores in the relevant area/region. According to the terms of our standard franchise agreement, our prior approval must be obtained before any franchisee set-up additional franchise stores and/or counters to sell our products. Such measured expansion plan also minimizes the potential competition between franchisees and/or between franchisees and self-operated stores in that region/market. In addition, we issue pricing guidelines for our products to franchisees to avoid potential price competition between franchisees and our self-operated stores. Furthermore, according to the terms in our standard franchise agreement, if it comes to our knowledge that a franchisee engaged in unauthorized cross-region sales, we will be entitled to terminate the franchisee agreement with the relevant franchisee, which helps ensure that we can exert sufficient supervision over competition among our franchisees. As advised by Frost & Sullivan, the two channels franchise network structure adopted by us was in line with market norm.

Self-operated direct service centers and franchisees

- The self-operated direct service centers are operated by us.
- The self-operated direct service centers receive products from our production facilities, showcase our products and allow franchisees to purchase such products from them.
- Our self-operated direct service centers only sell to franchisees and do not sell directly to consumers.

Provincial-dealers and franchisees

- Different from our self-operated direct service centers, our provincial-dealers operate their own centers and are independent from our operations.
- Similar to our self-operated direct service centers, they showcase our products and allow franchisees to purchase such products from them.
- Except for provincial-dealers who also own franchise stores (in which case they could be selling directly to consumers), our provincial-dealers only sell to franchisees and do not sell directly to consumers.

Apart from holding exhibition event and selling to franchisees, provincial-dealers serve a business administrative purpose for assisting us on franchise store management. Apart from our franchise network, we also offer our products through self-operated stores and online stores on e-commerce platforms.

Industry Norm/Market Practice

According to Frost & Sullivan:

- It is common for gold jewellery companies to adopt a franchise network in the industry, whereby a franchise is a type of license that grants franchisees access to a franchisor's proprietary business knowledge, processes, and trademarks to sell products or services under the franchisor's business name.
- The reasons for using a franchise model are that it can help the franchisor save costs, adapt to local market conditions, improve brand awareness, and expand rapidly while ensuring the consistency of operations across various stores.

We focus on sales through franchise network even though the gross profit margin for selling to the franchise network is substantially lower than that of self-operated stores, as we have taken into account the following factors:

(i) We efficiently expanded our network through franchisees, who bore the initial costs for setting up stores, including obtaining premises, staff hiring, store decoration, purchasing gold jewellery, and managing franchise stores. In contrast, in the case of setting up our self-operated stores, the aforementioned initial costs for setting up a store were borne by us with our own capital. The franchise model provides an asset-light and cost-effective means of expanding our store network and geographical coverage;

(ii) Our local franchise stores have a good understanding of local consumer preferences. Based on such market knowledge, they can order products based on the local consumer taste and implement marketing strategies that cater to their market, which in turn, we believe, enhance our consumers' shopping experience. We believe that our franchise network helps us capture the growth potential of our targeted markets and deepen our market penetration; and

(iii) Our business strategy and market positioning have been focused on being an OBM in the PRC since our inception. We are committed to nurturing and strengthening an integrated operation that encompasses the key stages of the gold jewellery industry, including R&D, production and sales network, rather than solely focusing on operating our own retail stores network.

Well-established Market Position in Third and Lower Tier Cities in the PRC

We have a well-established market position in third and lower tier cities in the PRC, which are markets with high growth potential according to Frost & Sullivan. Our sales network positions us well to deepen our market penetration in these untapped markets. We have strategically focused on markets in third and lower-tier cities in China. Meanwhile, we engaged our franchisees opening franchise stores in provincial capitals with the intention to enhance our brand's recognition within the province, which in turn supports development in third and lower-tier cities. As these provincial capitals are mostly second-tier cities, we also generate a significant portion of our revenue from such tiered cities. The following table sets forth the breakdown of our revenue derived from (i) franchise network from provincial-dealers and franchisees; and (ii) self-operated stores by tiers of cities during the Track Record Period:

Franchise network

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue from sales to provincial-dealers	5,363,405	31.8	5,207,142	33.1	6,649,419	32.9	2,945,084	31.6	2,452,524	24.6
Revenue from sales to franchisees	9,409,225	55.8	9,629,142	61.3	12,273,776	60.8	5,906,356	63.5	5,755,003	57.7
— *Tier 1 cities*	75,920	0.5	77,478	0.6	118,722	0.6	48,161	0.6	53,336	0.5
— *Tier 2 cities*	3,088,026	18.3	3,055,976	19.4	3,887,350	19.2	1,876,688	20.2	1,988,767	20.0
— *Tier 3 cities*	3,747,082	22.2	3,765,410	23.9	4,775,933	23.6	2,340,790	25.1	2,225,213	22.3
— *Tier 4 and lower cities*	2,498,197	14.8	2,730,278	17.4	3,491,771	17.4	1,640,717	17.6	1,487,687	14.9
Total:	14,772,630	87.6	14,836,284	94.4	18,923,195	93.7	8,851,440	95.1	8,207,527	82.3

Self-operated stores

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (Unaudited)	(%)	RMB'000	(%)
Tier 1 cities	—	—	189	—	11,493	0.1	5,456	0.1	8,028	0.1
Tier 2 cities	303,248	1.7	293,211	1.8	314,759	1.5	172,227	1.8	146,917	1.4
Tier 3 cities	42,976	0.3	58,712	0.4	70,659	0.3	40,382	0.4	40,223	0.4
Tier 4 and lower cities	9,922	0.1	14,376	0.1	15,305	0.1	8,643	0.1	4,940	0.1
Total	**356,146**	**2.1**	**366,488**	**2.3**	**412,216**	**2.0**	**226,708**	**2.4**	**200,108**	**2.0**

Note: According to Frost & Sullivan:

(1) the first-tier cities refer to Shanghai, Beijing, Guangzhou and Shenzhen;

(2) the second-tier cities refer to Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi’an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo, Hefei, Foshan, Shenyang, Wuxi, Jinan, Xiamen, Fuzhou, Wenzhou, Harbin, Shijiazhuang, Dalian, Nanning, Quanzhou, Jinhua, Guiyang, Changzhou, Changchun, Nanchang, Nantong, Jiaxing, Xuzhou, Huizhou, Taiyuan, Taizhou, Shaoxing, Baoding, Zhongshan, Weifang, Linyi, Zhuhai and Yantai;

(3) the third-tier cities refer to Lanzhou, Haikou, Huzhou, Yangzhou, Luoyang, Shantou, Yancheng, Ganzhou, Tangshan, Urumqi, Jining, Zhenjiang, Langfang, Xianyang, Taizhou, Wuhu, Handan, Jieyang, Nanyang, Hohhot, Fuyang, Jiangmen, Yinchuan, Zunyi, Huai’an, Zhangzhou, Guilin, Zibo, Xinxiang, Lianyungang, Cangzhou, Mianyang, Hengyang, Shangqiu, Heze, Xinyang, Xiangyang, Chuzhou, Shangrao, Jiujiang, Yichang, Putian, Zhanjiang, Liuzhou, Anqing, Suqian, Zhaoqin, Zhoukou, Xingtai, Jingzhou, Sanya, Yueyang, Bengbu, Zhumadian, Tai’an, Chaozhou, Zhuzhou, Weihai, Liu’an, Changde, Anyang, Suzhou, Huanggang, Dezhou, Ningde, Liaocheng, Yichun, Weinan, Qingyuan and Nanchong; and

(4) the fourth and lower tier refer to the rest of the other cities in the PRC.

We believe having a strong and reputable brand attracts franchisees to join our sales network, which in turn, strengthens our ability to build a solid and loyal customer base. The pictures below illustrate our exhibition halls where franchisees shop and purchase from us:

The pictures below illustrate our self-operated stores:

Management of franchisees

We have established stable and cooperative relationships with our franchisees. In order to strengthen the management of franchisees and provide high-quality services to franchisees nationwide, we set up self-operated direct service centers (直營區服務中心), which are responsible for distribution of our products to franchisees in their respective regions. Further, in regions where it is not commercially efficient to establish self-operated direct service centers, we engage provincial-dealers with strong local distribution capabilities to enable us to penetrate these local markets in order to save time and set-up costs for establishing self-operated direct service centers. We engage only one provincial-dealer in a given province in the PRC. As of June 30, 2024, we had seven self-operated direct service centers that were directly managed and operated by us, and we have appointed 17 provincial-dealers. In our franchisees management structure during the Track Record Period, direct services centers and provincial-dealers carried similar operational functions, with the main difference being that self-operated direct service centers were part of our in-house operation and provincial-dealers were external parties. As a result, we concurrently sold to provincial-dealers (who resell the products to franchisees) and directly to franchisees during the Track Record Period.

We appoint provincial-dealers mainly because we believe we can utilize provincial-dealers' business network in the jewellery industry to expand our franchisees' network, as well as for cost saving such as exhibition halls maintenance and marketing expenses in each covered province. Based on our Directors' knowledge, provincial-dealers usually have strong connections with local jewellery stores. By appointing provincial-dealers, we can facilitate the distribution of our products to franchisees within the regions and this practice is effective in terms of building a distribution network. Our Directors believe that some franchisees do not directly transact with the Group but transact through the provincial-dealers mainly because of logistical convenience. Provincial-dealers perform similar functions as our self-operated direct service centers, which include to host exhibition halls for franchisees to make purchase. As there is no price difference for franchisees to purchase at exhibition halls hosted by our self-operated direct service centers or exhibition halls hosted by provincial-dealers, franchisees usually attend the exhibition halls which are more convenient for them logistically. Given the nature of gold jewellery, many franchisees opt for self-pickup of the purchased goods at the exhibition halls.

All sales between our Group and provincial-dealers, as well as sales between our self-operated direct service centers and our franchisees, are buyout sales. All franchisees are required to sign franchise agreements with us for each franchise store, establishing a seller and buyer relationship rather than a principal and agent relationship. During the Track Record Period, provincial-dealers were our major customers in terms of their respective sales amount, but revenue we derived from sales to franchisees through our self-operated direct service centers in aggregate outnumbered that of revenue derived from provincial-dealers in aggregate.

We are of the view that relationship between the Group and the provincial-dealers is seller and buyer relationship and are buyout sales (not consignment sales) because: (i) we do not have control over the gold products once they are transferred to provincial-dealers, whereby the provincial-dealers have control over the exhibition and sales of such products, and we have no right to reclaim the gold products, and (ii) risks associated with holding and selling the relevant gold products are shouldered by our provincial-dealers, whereby the inventory risk and payment collection risks rests with our provincial-dealers. Furthermore, according to Hong Kong Financial Reporting Standards 15, the sales between our Group and provincial-dealers is recognized as revenue from direct sales instead of consignment sales based on the following reasons:

i. For provincial-dealers, we dispatch the gold products to be showcased at the provincial-dealers' exhibition halls. We transfer the control of the gold products to provincial-dealers which transfer to the franchisee by the provincial-dealers at or near the same time. The provincial-dealers act as the principal in the arrangement based on the below reasons:

   a. The provincial-dealers are primarily responsible for fulfilling the promise to provide the specified gold products.

      - The provincial-dealers physically possessed the gold products during the period of the exhibition and were responsible for display and sales of the gold products.
      - The provincial-dealers have the right to veto the timing of exhibitions.
      - In case of tight supply of certain gold products, the provincial-dealers can decide how to allocate the gold products to fulfil orders from the franchisees.
      - In case of any quality issues of the gold products, the provincial-dealers are responsible to follow up with the franchisees.

   b. The provincial-dealer has inventory risk before the specified gold product has been transferred to a franchisee.

      The provincial-dealers are responsible for the security arrangement during the exhibition. If the gold products went missing or were lost during the exhibition, the provincial-dealers took full responsibility.

   c. Under the pricing model of "gold price + crafting fee for the relevant gold product", the provincial-dealers do not have discretion in establishing the price for the gold products, such policy was mainly to maintain price stability and consistency among various franchisees and markets.

ii. During the process of exhibition, we cannot arbitrarily withhold, take back the gold products or transfer them to any other third parties without the consent from provincial-dealers. In addition, provincial-dealers have the right to sell the gold products or not during the exhibition, or to buy any unsold gold products as its own inventories by the end of exhibition;

iii. Provincial dealers have an unconditional obligation to pay us for the gold products purchased regardless of whether they could be paid by franchisees or not. Provincial dealers are solely responsible to collect receivables from franchisees they sell product to.

The Reporting Accountants [issued] an unqualified opinion on the Historical Financial Information of the Group for the Track Record Period as a whole. The Sole Sponsor agrees with the classification of the relationship between the Group and the provincial-dealers as a seller and buyer relationship, and that sales made to the provincial-dealers are not consignment sales.

Save as disclosed in the document, during the Track Record Period and up to the Latest Practicable Date: (i) we were not aware any franchisee who has committed a significant breach of franchise agreements or has violated our retail policies; and (ii) to the best of our knowledge, there had been no significant disputes or litigation between us and either past or present franchisees. Moreover, we had not been informed of any material incidents, claims, litigation, or legal proceedings, either actual or threatened, related to non-compliance in any of the franchise stores that we supervise during the Track Record Period and up to the Latest Practicable Date.

Control on franchise network

Although we do not own or have direct managerial control over our provincial-dealers or franchisees, we monitor and indirectly manage their performance through adopting and implementing policies on their operations, pricing guidelines and providing them with training sessions in relation to our product. To monitor the performance of our franchise network, our internal management policy includes requiring our sales representatives to conduct ad-hoc site-visits and monitoring the sales performance, pricing and quality of marketing activities. We also initiate meetings with provincial-dealers and franchisees who are underperforming to help them recover.

(i) *Use of Company name*

We exert full control over the franchisees regarding the use of our Company name. Our franchisees display the name of "Mokingran" and our logo at their franchise stores or, in a very few cases where our franchisees operate their own branded jewellery collection stores, at the counters where our products are displayed. Aside from bearing the name of "Mokingran" and the brand "梦金园", we require franchisees and provincial-dealers not to use our legal business name or trademarks in their operations, including in advertisements, or sign any agreements under our legal business name, unless authorized by us in writing. Our staff conduct on-site checks at our franchise stores to ensure there are no unauthorized displays of our name, sign or use of it on their marketing materials. We would conduct investigations and may issue warnings or terminate the business relationship if such violation was confirmed. Our franchisees are responsible for losses from unauthorized uses of our Company name.

During the Track Record Period, we did not have any material disputes with our franchisees relating to the improper use of our Company names during the Track Record Period in the course of our normal commercial dealings, as confirmed by our Directors. As of the Latest Practicable Date, a small number of franchisees and provincial-dealers, who were Independent Third Parties, incorporated our trade name or similar terms into their legal business names. In the event that the aforementioned franchisees and provincial-dealers engage in transactions or conduct that is not in compliance with relevant laws or regulations and that could adversely impact us reputationally, financially or otherwise. We could be harmed by such actions as we may be mistakenly identified as the party that engaged in such misconduct given such franchisees and provincial-dealers incorporated our trade name or similar terms into their legal business names. However, as of the Latest Practicable Date, we were not aware of any actual or potential abuses or improper use of our legal business name by our franchisees and provincial dealers which could adversely affect our reputation, business operation or financial condition. We shall continue to monitor the activities of the aforementioned entities through onsite checks and conduct investigations into any misconducts that may adversely impact our reputation, finances, or in other ways to mitigate potential adverse effects of such activities on us. Should our franchisees and provincial-dealers engage in abuses or improper use of our legal business name, we will file claims for indemnity against them.

(ii) *Exclusivity*

We do not enter into exclusivity agreements with provincial-dealers and franchisees to limit their own business. Our franchise stores can sell other brands' gold products on the condition that those third-party brand products are not displayed under our brand's name and/or logo. We do not allow franchisees to sell products of other brands under our brand. In case where our franchisees wishes to sell products of other brands under our brand, the relevant products will have to pass the inspection of us or a third-party testing agency designated by us. For details, see "Business — Admittance of third-party products".

(iii) *Selling price*

We have control on the products and the selling price we offer in our self-operated direct service centers and to provincial-dealers. At any time, the price we sell to our franchisees from our self-operated direct service centers and the sales price offered by provincial-dealers to franchisees are the same.

In general, we have policies in place and issue guidelines to regulate the retail price of our products. For example, we have in place minimum retail prices and suggested retail price guidelines which all franchisees are required to follow. Our franchisees may determine the retail prices, but the prices cannot be lower than our predetermined minimum retail prices. We reserve the right to review and approve the retail price of our franchisees and will exercise such right as appropriate and necessary.

(iv) *Store image*

We also require our franchisees to maintain a unified image of our brand by providing franchisees guidance on size and layout, designs and decorations, such as colour scheme and design specifications, for the franchise stores.

(v) *Minimum sales target*

Minimum sales target for provincial-dealers

Minimum sales targets for our provincial-dealers are generally set through commercial negotiations. We have the discretion to establish a minimum sales target, and typically, we take into consideration factors such as the provincial-dealer's historical performance, number of franchise stores in the respective regions and the market environment.

The table below sets out the historical range of the minimum sales amount during the Track Record Period.

	Year ended December 31,		
	2021	**2022**	**2023**
Range of minimum sales target	Gold: 150 kg to 1,500 kg	Gold: 173 kg to 2,130 kg	Gold: 129 kg to 2,300 kg
	Diamond: RMB0.5 million to RMB23.5 million	Diamond: RMB0.1 million to RMB20.0 million	Diamond: RMB0.2 million to RMB10.0 million
Number of provincial-dealers who did not achieve the minimum sales target	Gold: 7	Gold: 16	Gold: 12
	Diamond: 17	Diamond: 16	Diamond: 17
Aggregate sales target	Gold: 14,486 kg	Gold: 16,732 kg	Gold: 17,185 kg
	Diamond: RMB141.3 million	Diamond: RMB120.6 million	Diamond: RMB75.9 million
Overall sales target achievement	Gold: 106%	Gold: 84%	Gold: 89%
	Diamond: 56%	Diamond: 42%	Diamond: 45%
Aggregate amount of sales target shortfall of principal-dealers who did not achieve the minimum sales target . . .	Gold: 678 kg	Gold: 2,780 kg	Gold: 2,417 kg
	Diamond: RMB62.4 million	Diamond: RMB70.9 million	Diamond: RMB41.6 million

Minimum sales target for franchisees

Minimum sales targets for our franchisees are normally set through commercial negotiations. Factors considered include (i) historical sales and (ii) economic environment.

The table below sets out the historical range of the minimum sales amount during the Track Record Period. Sales of high purity gold with 99.999% gold content, K gold and solid gold are converted to 99.99% gold at respective pre-determined formula for calculating sales target. The pre-determined formula is formulated primarily based on the gold content of respective products.

	Year ended December 31,		
	2021	**2022**	**2023**
Range of minimum sales target	Gold: 0 kg to 623 kg(1)	Gold: 0 kg to 678 kg(1)	Gold: 0 kg to 823 kg(1)
	Diamond: RMB0 to RMB5.1 million	Diamond: RMB0 to RMB5.6 million	Diamond: RMB0 to RMB3.7 million
Number of franchisees who did not achieve the minimum sales target	Gold: 763	Gold: 1,217	Gold: 1,000
	Diamond: 1,318	Diamond: 1,327	Diamond: 1,040
Aggregate sales target	Gold: 34,157 kg	Gold: 39,187 kg	Gold: 41,894 kg
	Diamond: RMB342.8 million	Diamond: RMB301.6 million	Diamond: RMB190.3 million
Overall sales target achievement	Gold: 102%	Gold: 87%	Gold: 88%
	Diamond: 53%	Diamond: 41%	Diamond: 42%
Aggregate amount of sales target shortfall of franchisees who did not achieve the minimum sales target	Gold: 4,499 kg	Gold: 7,521 kg	Gold: 7,995 kg
	Diamond: RMB192.8 million	Diamond: RMB167.1 million	Diamond: RMB117.3 million

Note:

(1) The minimum sales target of some of our franchisees exceed the minimum sales of target of some of our provincial-dealers because of the business scale of such franchisees, which in turn, relates to the such franchisee's market reach and its customer base. For instance, as of December 31, 2023, our largest franchisee was operating a total of 20 stores. Due to the larger scale of operations for such franchisee, its minimum sales target exceeds that of certain provincial-dealer.

Consequences of failure to meet minimum sales targets

In the event that a provincial-dealer or franchisee fails to meet its minimum sales target, we have the right to require the provincial-dealer or franchisee to pay us market promotion fees, calculated based on the amount of shortfall, to recover our subsidies and marketing and promotion expenses.

In light of the general economic environment and the pandemic, we waived all fees on provincial-dealers and franchisees for their failure to meet minimum sales targets in 2021. In 2022, considering the performance of provincial-dealers and franchisees and the marketing expenses we incurred, we decided to reactivate our controls over our provincial-dealers and franchisees in terms of sales targets and promote their proactiveness in sales of our products and thus, we exercised our right to charge them for such failure. In 2022, the fees charged on each provincial-dealer and franchisee that failed to meet the targets ranged from RMB91,200 to RMB2.3 million and RMB800 to RMB1.7 million, respectively. The total fees (tax-excluded) we charged amounted to RMB60.6 million, which were recognized as our revenue and represent 0.4% of our total revenue in 2022. In 2023, the fees charged on each provincial-dealer and franchisee that failed to meet the targets ranged from RMB35,000 to RMB2.9 million and RMB1,000 to RMB2.4 million, respectively. The total fees we charged amounted to RMB90.9 million, which were recognized as our revenue and represent 0.4% of our total revenue in 2023.

Measures to avoid channel stuffing and cannibalization

When appointing new franchisees, we are conscious of the potential negative impacts of channel stuffing and cannibalization among existing franchisees. Therefore, we have adopted measures to mitigate these issues.

We pay close attention to the inventory levels of our franchisees. In order to prevent channel stuffing, we have adopted a transaction arrangement that all sales between (i) our Group and provincial-dealers, and (ii) our self-operated direct service centers and our franchisees, are buyout sales. For franchisees, we generally do not allow returns of gold products sold to franchisees, except when they cease to be our franchisees. We also generate sales reports on an as-needed basis to monitor franchisees' sales, and regularly visit franchise stores to check the inventory levels. We have an inspection team responsible for conducting site visits to our franchise stores intermittently to review various aspects of their overall business operations, including but not limited to (i) the sales performance, (ii) inventory levels, (iii) brand image, customer service and display of products sold under our brand and (iv) whether there are any non-compliance issue in relation to product labeling, to ensure there is no non-compliance of the terms and conditions of the franchise agreement. Our staff responsible for conducting site visits is required to complete a checklist recording the relevant findings during the site visit, where if there are any non-compliances, supporting documents such as photos of the stores are required to be uploaded to our internal system for record keeping. Our inspection team conduct site visits to each franchise stores intermittently but at an interval of approximately once a year. Apart from site visits performed by our inspection team, we also perform site visits to all franchise stores which have installed the

CRM system approximately on a quarterly basis, and check their sales performances and inventory levels against data being inputted on the CRM system, to ensure, among other things, accuracy of inventory data on the CRM system and sufficient supervision over the inventory levels of our franchise stores. For further details of our internal control mechanism, please also refer to the section headed "History, Development and Corporate Structure — Previous A-Share Applications — The First A-Share Application — CSRC's concerns in relation to "One RMB Exchange" — Internal Control Measures". In general, we do not allow payment on credit for sales to franchisees while on a case by case basis, we may permit payment on credit for sales to franchisees when our existing franchisees open new stores. We typically do not accept product returns, ensuring that franchisees cannot compel us to accept unsold products. For provincial-dealers, given our business model, provincial-dealers generally do not hold gold products as their inventory and may only maintain a insignificant level of products for sales that occur at ad hoc.

The table below sets out the gold inventory levels of provincial-dealers as of December 31, 2021, 2022 and 2023 and as of June 30, 2024.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(kg)	(kg)	(kg)	(kg)
Gold inventory of provincial-dealers in aggregate(Note) . .	92	111	55	57

Note: Volume include K-gold products without conversion adjustment.

As of December 31, 2023 and June 30, 2024, based on the information available on our CRM system, the amount of inventories held by our franchisees were 24,266.8kg and 25,868.6kg, respectively. The inventory turnover days of gold products calculated based on the inventory held by the aforementioned franchisees (per the CRM system) were 211.6 days and 337.1 days for the year ended December 31, 2023 and for the six months ended June 30, 2024, respectively. The increase in inventory turnover days of gold products for our franchisees was mainly due to our franchisees having low inventory due to the pandemic at the beginning of 2023 that lead the inventory turnover days to be lower for 2023. Moreover, the inventory turnover days of gold products of 211.6 days for our franchisees (per the CRM system) for 2023 was within the inventory turnover days range (55 days to 230 days) of our industry peers, which we believe illustrates the reasonableness of our franchisees' inventory balance. For the six months ended June 30, 2024, based on information available on the CRM system, the inventory turnover days of our franchisees increased to 337.1 days. Such increase was primarily attributable to the decline in consumption sentiment for gold products resulting from the increase in gold price. According to Frost & Sullivan, the consumption volume of gold products in terms of weight for the six months ended June 30, 2024 decreased by 26.7% when compared to the corresponding period in 2023. Accordingly, the sales of gold products slowed down in the first half of 2024, leading to an increase in inventory turnover days of our franchisees.

Our self-operated stores recorded a lower inventory turnover days of 261.0 days when compared with that of 337.1 days of our franchisees due to a higher proportion of our self-operated stores commenced "One RMB Exchange" program during the six months ended June 30, 2024. As of June 30, 2024, out of our 36 self-operated stores, 24 of them were located in Shandong Province and organized the "One RMB Exchange" promotion event in June 2024. Benefited from such promotion, the inventory turnover days of our self-operated stores located in Shandong Province were lower than those located in other provinces. The inventory turnover days of our self-operated stores located outside Shandong Province for the six months ended June 30, 2024 was 337.5 days, which were in line with that of our franchisees' inventory turnover days. Since our franchisees outside Shandong Province generally only organize the "One RMB Exchange" program in July to September, the impact of our "One RMB Exchange" promotion has yet to be reflected in our franchisees' sales performance as of June 30, 2024.

Given we have a higher proportion of self-operated stores located in Shandong Province when compared with franchise stores, the effect of "One RMB Exchange" on overall inventory turnover days of our self-operated stores was more significant, thereby contributing to a lower inventory turnover days when compared with that of our franchisees.

Based on the foregoing measures taken by our Group, our Directors are of the view that as a whole, there was no abnormal accumulation of inventories by provincial-dealers and franchisees during the Track Record Period.

In practice, we have anti-cannibalization measures to foster healthy competition among franchisees, provincial-dealers and self-operated stores, and across our different sales channels:

- Between our self-operated stores and franchise stores, we (i) determine the distance between our franchise stores and self-operated stores based on our market analysis as well as commercial considerations to minimize unhealthy competition; and (ii) retain the discretion to terminate our relationships with franchise stores engaging in non-compliant acts or employing unhealthy competition means.

- Between our self-operated direct service centers and provincial-dealers, we (i) only appoint provincial-dealers in regions where we do not have own self-operated direct service centers, particularly in areas relying on provincial-dealers' networks to reach consumers, to avoid competition; (ii) assign each provincial-dealer their designated sales and operating regions; and (iii) reserve the right to expand, re-assign or modify the operating regions of provincial-dealers when we foresee cannibalization risk.

- Among our franchisees, (i) each franchise store is generally required to purchase products from designated exhibition halls hosted by self-operated direct service center or provincial-dealer; and (ii) we require self-operated direct service centers and provincial-dealers to offer uniform crafting fees for products sold to franchise stores.

- Among our provincial-dealers, we believe cannibalization risks are limited due to the small number of provincial-dealers, and in any event, they are prohibited from marketing and selling our products outside their designated territory.

To prevent channel stuffing and cannibalization across franchisees, we implement strong control measures over franchisees within each service area of our self-operated direct service centers and provincial-dealers. We also dispatch managers to provide joint support in the daily operations and supervision management of our brand and franchisees as needed.

Each of our self-operated direct service centers and provincial-dealers is designated to cover a specific geographical region that does not overlap with others. Accordingly, franchisees typically procure from the self-operated direct service center or provincial-dealer within their region, which helps prevent overlapping purchases by the franchisees from both self-operated direct service centers and provincial-dealers. In addition, we charge the same price to our self-operated service centers and provincial-dealers to help alleviate channel stuffing and cannibalization among them. In practice, we require each franchisee to only purchase from its assigned regional self-operated direct service center or provincial-dealer as the case may be. Normally, there is no overlapping of purchases from both self-operated direct service center and provincial-dealer. However, in limited circumstances, including cases where a franchisee owns more than one franchise store located in different regions or when a franchisee makes a special purchase request (whereby such purchase is subject to our pre-approval), there may be instances where such franchisee may have overlapping purchases from both self-operated direct service center and provincial-dealer. For such reasons, franchisees are not limited to purchasing only from exhibition halls within their region.

Our Directors believe that the above internal control policies and measures are sufficient to effectively manage inventory risk and/or detect any possible channel stuffing and cannibalization.

Exhibition halls and logistics arrangement

Our self-operated direct service centers and provincial-dealers have exhibition halls to showcase and to sell our products to franchisees within the respective region. Franchisees purchase at the relevant exhibition halls and are required to arrange their own logistics for the purchased goods.

For provincial-dealers, we dispatch the products to be showcased at the provincial-dealers exhibition halls. When the products are purchased by franchisees at the exhibition halls, the provincial-dealers will simultaneously make purchase of the relevant products from us and onwards sell them to the franchisees. This approach creates a positive development cycle between ourselves and the provincial-dealers, whereby our provincial-dealers can economically benefit from the onward sales while we gain their expertise in management/development of a stronger network of franchisees. Moreover, such arrangement also enables our provincial-dealers to provide diversified products for franchisees' selection, which is essential for maintaining a strong and loyal franchise network.

In situations where customers have an urgent need to replenish their inventory, we may consider lending gold products to creditworthy customers on a case-by-case basis to ensure our customers have sufficient inventory to sell on to consumers. Such situations include the hosting of exhibition events, new opening of franchise stores and shortage of inventories at franchise stores. The decision regarding the quantity of gold products to be lent and whether any security pledge or guarantee is required is determined by our management team on a case-by-case basis.

Such gold lending arrangement involves entering into written agreements to lend gold products to customers for a specified period. The major terms and conditions are set out below.

Lending period	The lending period is usually less than one month, but in certain cases, it may exceed one month.
Fees or charges	For exhibition event, we normally charge lump sum exhibition service fees. For long-term lending (which exceeds one month), we normally charge lump sum exhibition service fees based on the value of the gold being lent, which, when converted according to the value of the gold being lent, ranges approximately from nil to 0.9% per month normally. For short-term lending (which is no more than one month) to replenish inventories, we normally charge fees based on the value of the gold being lent ranging from nil to 1.0% per month normally or up to 1.5% per month for the renewal of lending period. In case of short-term lending, especially for new franchisees in need of gold jewellery for display in their new franchise stores, we have the discretion to waive the services fees or charges.
Return of the gold products	At the end of the lending period, customers can purchase the lent gold products based on the prevailing gold price at settlement date or return the remaining gold products to us.
Settlement method . . .	Those customers who purchase the lent gold products can settle with cash or use trade-in gold as a mean of non-cash settlement.
Pledge and guarantee .	Fixed properties and personal guarantee.

If the borrowers intend to extend the lending period, we will negotiate a new period with the borrowers and charge the service fee. There was no default on gold lending made during the Track Record Period where borrowers failed to return or to purchase the gold we lent to them and there has been no material adverse impact on our Company's performance due to our gold lending activities. To the best knowledge, information and believes of our Directors, there were no material breach of terms of any relevant gold-lending agreements by our provincial-dealers and franchisees during the Track Record Period which may impose material adverse effect on our business operation and financial position.

During the Track Record Period, the respective number, range of the amounts of gold lent and total amount/weight of gold lent as at the end of each year/period were as follows:

		As of December 31,			As of June 30,
		2021	2022	2023	2024
Number	Franchisees	405	460	552	569
	Provincial-dealers	17	17	17	17
Range of the gold lent (RMB'000)	Franchisees	0.5	2.4	1.3	1.0
		16,380.5	21,334.5	30,796.7	19,507.9
	Provincial-dealers	0.8	1.0	2.9	5.5
		28,378.1	36,001.5	56,608.9	36,406.3
Amount of gold lent as of the end of each period (RMB'000)	Franchisees	65,881.1	118,741.0	183,720.8	165,519.4
	Provincial-dealers*(Note)*	13,269.4	2,109.5	10,969.5	59,579.9
Weight of gold lent as of the end of each period (kg)	Franchisees	198.7	337.5	438.0	361.8
	Provincial-dealers*(Note)*	39.9	6.0	26.3	131.1

Note: Although our provincial-dealers generally do not hold our gold products as their inventory, we sometimes lend gold to them in the following scenarios: (i) gold lent to provincial-dealers that also operated franchisee stores for operations of their own franchisee stores, and (ii) gold lent to provincial-dealers, who, in turn, lent such gold to franchisees in their respective regions.

Per our internal control policy, gold lending is approved by our management on a case-by-case basis. Assessments are made on factors including the reasons for the gold lending request, the borrowers' credibility, availability of fixed asset pledges and/or guarantees from the borrower, the amount of gold to be lent per the request, and our business relationship with the borrower. For the gold products lent, we enter into lending agreements with the borrowers outlining details of the gold lending arrangement including the type of gold products to be lent, duration of the loan, service fee, basis of calculating service fee and other obligations (if applicable). In addition, we formulated an internal manual to govern the lending process for longer-term loans with a term beyond six months. As confirmed by Frost & Sullivan, it is an industry norm for gold jewellery producers/brands to provide gold lending services to their franchisee customers and provincial-dealers.

Our gold lending balances are reflected in the right to returned goods assets. As of December 31, 2021 and 2022 and 2023 and June 30, 2024, our right to returned goods assets amounted to approximately RMB157.9 million, RMB184.4 million, RMB246.0 million and RMB259.9 million, of which our gold lending balances were RMB79.2 million, RMB120.9 million, RMB194.7 million and RMB225.1 million, respectively. During the Track Record Period, our gold lending balances generally increased due to (i) the growth in our business scale and franchise network, which required us to lend more gold to provincial-dealers and franchisees, and (ii) an increase in gold prices. In particular, the balance of gold lent to franchisees increased from RMB65.9 million as of December 31, 2021 to RMB118.7 million as of December 31, 2022, primarily attributable to the growth in number of newly-opened franchise stores which borrowed gold from us towards the end of 2022, resulting in an increase in number of gold-lending transactions that crossed the year-end when compared to that of 2021. Our gold lending balances as of June 30, 2024 increased compared to that of December 31, 2023 mainly due to the gold price increase in the first half of 2024 and an increase in volume of gold lent in preparation for our annual promotional "One RMB Exchange" program held between June and September 2024. For details of the accounting treatment of gold lending arrangement, see "Financial Information — Prepayments, deposits and other receivables".

Selection of Franchisees

We have strict standards for selecting franchisees. We conduct a thorough systematic evaluation of potential franchisees, including evaluation on their:

- sales record history;
- financial background and performance;
- commercial resources; and
- long-term operational goals including but not limited to concrete sales targets and expansion plans.

As of June 30, 2024, we had contracted 1,670 franchisees. The table below sets forth the changes in the number of our franchisees during the Track Record Period*(Note)*:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Beginning of the year/period	1,703	1,721	1,704	1,687
Additions	106	69	88	31
Cessations	(88)	(86)	(105)	(48)
Net increase	18	(17)	(17)	(17)
End of year/period	1,721	1,704	1,687	1,670

Note: The number of franchisees includes provincial-dealers engaged by us during the relevant year/period as indicated.

The major reasons for the decrease in number of franchisees for the year ended December 31, 2022 and 2023 and the six months ended June 30, 2024 were (i) the relevant franchisees had other business endeavours and no longer intended to operate as our franchisees; and (ii) the relevant franchisees were unable to follow our franchise management and operational standards and we terminated the franchise relationship with them accordingly.

Services and support we provide to franchisees

To ensure that our franchise stores receive comprehensive operational support, we have established a system where our support personnel visit franchise stores to provide guidance and training to store staff. This includes coaching and training on the daily routine work, operational management standards, store display and management of goods, sales strategies, appearance, and other relevant areas. Franchisees who require additional support may apply for our support personnel to visit the relevant franchise stores. With the guidance of our support personnel, franchisees can improve their management ability and operational efficiency.

To promote franchise network management and for brand development, we hold franchisee conferences to discuss industry trends, our development plans, and business strategies with all franchisees. Furthermore, we offer various subsidies to encourage franchisees to open new stores and expand our market share. These subsidies include decoration subsidies and discounts on crafting fees for franchisees who meet the specified conditions for a certain period of time. Some of the key subsidies are listed below:

Major subsidies	Description
Store decoration subsidies	Franchisees are required to renovate new and existing stores according to our requirements. We will provide renovation subsidies in the form of price discounts based on factors such as store channel type, business district, business area, and geographical location.
Advertising subsidies . . .	To encourage franchisees to carry out advertising and promotion activities in their respective regions (including but not limited to television advertising, packaging advertising, outdoor advertising, car advertising), as well as to carry out store celebrations, festivals, exhibitions, and other promotional activities, we provide advertising fee subsidies at a certain proportion of the total advertising costs.
Promotion subsidies	For promotional activities carried out by franchisees during new store opening, store celebrations, holiday promotions, and exhibitions, we can provide processing fee subsidies at a certain proportion of the total promotional activities.
Product support during special events and peak season	On franchisees' request, we may lend franchisees with display products and product for sales during store celebrations and other approved activities. Furthermore, during the spring festival, which is traditionally peak sales season, leveraging our strong production capability, we formulate sales strategies to provide our franchisees with a large variety of different products and to improve store efficiency. After the provision of our products, franchisees can settle the payment according to our unified quotation on the expiration date. The policy aims to effectively support high-quality franchisees to establish new branches and enhance the competitiveness of the brand in the regional market.

The following table sets out the total amount and average amount per franchisee of different types of subsidies during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2021		2022		2023		2024	
	Total amount	Average amount per franchisee *(Note)*	Total amount	Average amount per franchisee *(Note)*	Total amount	Average amount per franchisee *(Note)*	Total amount	Average amount per franchisee *(Note)*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Store decoration subsidies	17,522.7	10.2	15,302.8	9.0	23,878.2	14.2	13,812.7	8.2
Advertising subsidies	19,408.5	11.3	12,378.8	7.3	13,679.6	8.1	5,800.0	3.5
Promotion subsidies	5,697.6	3.3	8,171.0	4.8	75,992.0	45.0	11,671.5	7.0
Product support during special events and peak season	6,416.4	3.7	5,771.9	3.4	15,992.4	9.5	6,793.0	4.1
Total	49,045.2	28.5	41,624.5	24.5	129,542.2	76.8	38,077.2	22.8

Note: The average amount per franchisee is calculated by dividing the respective total amount by the number of franchisee at the end of each year.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our subsidies to franchisees amounted to RMB49.0 million, RMB41.6 million, RMB129.5 million and RMB38.1 million, respectively. The increase in our subsidies to franchisees for the year ended December 31, 2023 was mainly attributable to the increase in promotion subsidies. We incurred a significant increase in subsidies for promotional activities for the year ended December 31, 2023 to support our franchisees as they resumed operation and as the economy began to recover from the recent pandemic.

Admittance of third-party products

We maintain a third-party product list which our franchisees are permitted to buy and sell third-party produced products under our brand name "**梦金园**", provided that the products passed the inspection of us or a third-party testing agency designated by us.

To apply for third-party product admittance, franchisees are required to submit the relevant products to our self-operated direct service centers and provincial-dealers for registration. Our quality control department conducts a preliminary inspection of the products to determine whether they infringe upon any intellectual property rights. The products are then sent to a qualified national or provincial gold jewellery quality testing center for inspection. Once qualified, we will issue category labels for the products and the products will be added to our list of approved products. We then collect brand usage fees from the franchisees and grant them approval to sell the products under our brand name. During the Track Record Period, our brand usage fees collected from franchisees amounted to RMB32.1 million, RMB25.8 million, RMB25.7 million and RMB11.3 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

According to Frost & Sullivan, the aforementioned is common in the jewellery industry. It is a useful method for franchisees to broaden the product portfolio available for sale, and possibly increase the sales of both franchisees and us in the local market and to enlarge our market share.

Other than passing through our stringent quality control and testing mechanism as set above for third-party brand products admittance, our franchisees are subject to their contractual obligations under the franchisees' agreement, pursuant to which, they are not allowed, in any manner, to sell other products under our brand, or to adopt our trademark and logo in any packaging material, quality assurance slip, pictures or videos when selling products of other brands. We also have a designated market inspection team to perform routine inspections in franchisees store to scrutinize whether there is any alleged infringing products sold in the stores and whether the content and use of product labels fulfil our internal regulations. We will strictly enforce our legal rights and consider seeking necessary actions to safeguard our reputation in situation where there is evidence that the franchisees may have breached our relevant policies when conducting their business.

Former Employee-Franchisees

During the Track Record Period, we had franchisees stores or engage provincial-dealers that were established by our former (or then former) employees. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had two, four, four and four former employees that left our Group since 2018 (or their respective successors), respectively ("**Former Employee-Franchisees**"), and these Former Employee-Franchisees operated 13, 16, 13 and 12 franchise stores or provincial-dealers during the respective year/period.

Some of our former employees developed interests in engaging in retailing business of gold jewellery when working with us and some of them has resigned from our Company and enter into franchisee agreements or arrangements with us for their personal business pursuits. Our Directors believe our Former Employees-Franchisees would be able to gain better understanding of our product development concepts and corporate culture during their tenure with us, and would be able to promote our brand and products more effectively, and therefore having Former Employees-Franchisees will be in the interest in of our Company as a whole. Our Directors also further confirms that such practice is common in gold jewellery retailing industry.

We applied the same selection criteria and review procedures as other franchisees when selecting and conducting periodic review of the performances of Former Employee-Franchisees. The terms and conditions of the franchise arrangements and/or agreements we entered into with these Former Employee-Franchisees are the same as that we offered to other third-party franchisees.

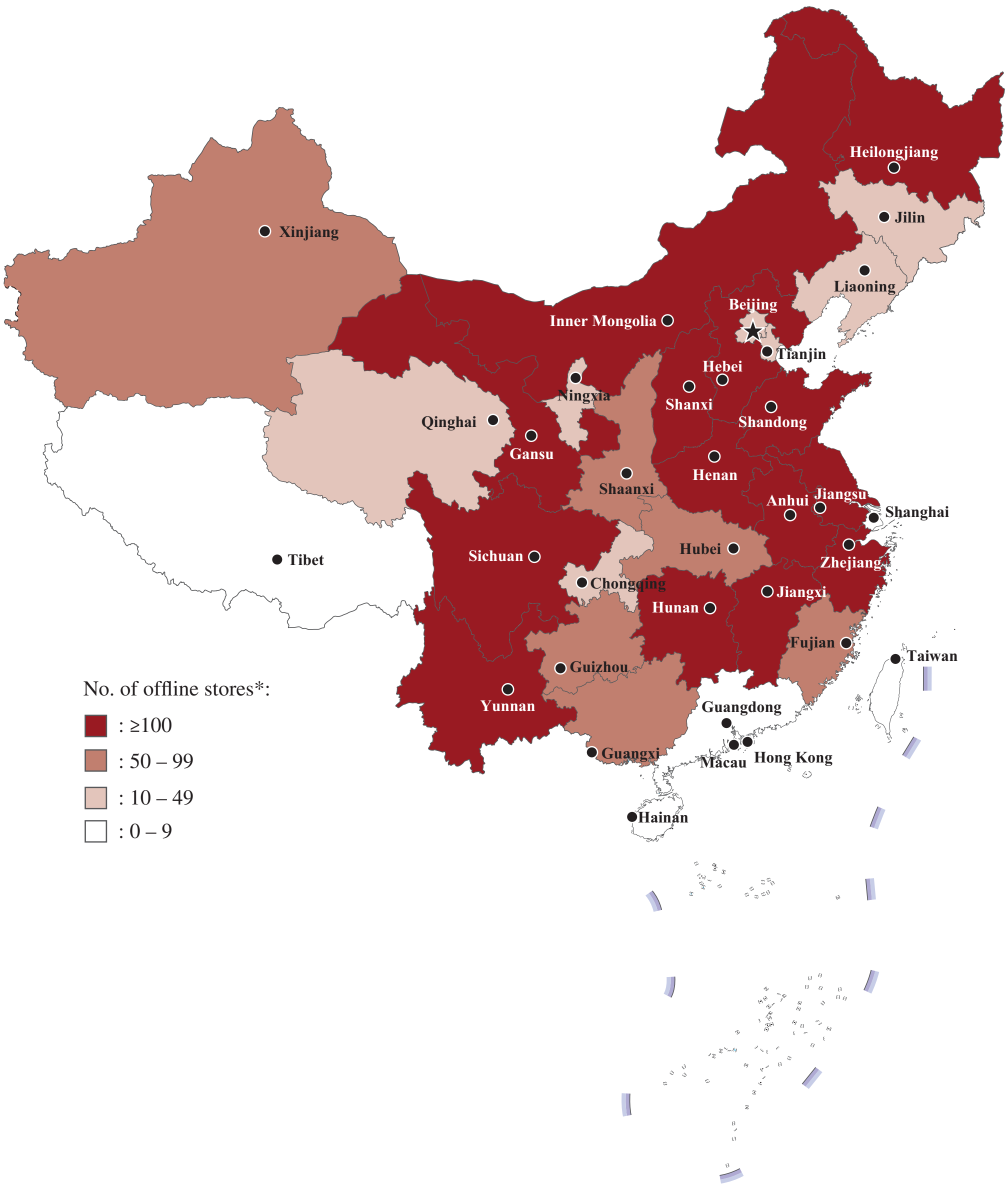
During each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the revenue contribution by the franchisees stores operated by our Former Employee-Franchisees amounted to RMB74.9 million, RMB77.0 million, RMB76.7 million and RMB36.9 million, representing approximately 0.4%, 0.5%, 0.4% and 0.4%, respectively, of our total revenue over the same years. Accordingly, our Directors are of the view that the revenue contribution from our Former Employee-Franchisees were immaterial.

Save as disclosed above, none of our franchisees or provincial-dealers have any relationship with our Group, their respective Directors or shareholders during the Track Record Period.

Offline Sales

We have established an extensive national-wide offline sales network comprising franchise stores and self-operated stores. As of June 30, 2024, our offline sale network had a total of 2,850 franchise stores operated by 1,670 franchisees, 36 self-operated stores, seven self-operated direct service centers and 17 provincial-dealers located in more than 1,400 county-level areas in over 250 cities across multiple provinces and municipalities in the PRC.

The map below illustrates the locations of our offline sales network in the PRC as of the Latest Practicable Date:



The following table sets forth a breakdown of number of our franchise stores by tiers of city as of the end of each year/period during the Track Record Period:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores
		(%)		(%)		(%)		(%)
Tier 1 cities	8	0.3	9	0.3	15	0.5	15	0.5
Tier 2 cities	676	25.2	696	25.4	732	26.0	744	26.1
Tier 3 cities	765	28.6	778	28.4	798	28.3	802	28.2
Tier 4 and lower cities	1,231	45.9	1,260	45.9	1,272	45.2	1,289	45.2
Total:	**2,680**	**100.0**	**2,743**	**100.0**	**2,817**	**100.0**	**2,850**	**100.0**

The following table sets forth a breakdown of the geographical areas of our franchise stores during the Track Record Period:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores	Number of franchise stores	% of total number of franchise stores
		(%)		(%)		(%)		(%)
PRC								
Northeast region	253	9.4	258	9.4	280	10.0	290	10.2
Northern region	857	32.0	906	33.0	958	34.0	975	34.2
Northwest region	404	15.1	415	15.1	431	15.3	444	15.6
Southwest region	384	14.3	398	14.5	418	14.8	417	14.6
Eastern region	429	16.0	424	15.5	421	14.9	423	14.8
Southern region	353	13.2	342	12.5	309	11.0	301	10.6
Total	**2,680**	**100.0**	**2,743**	**100.0**	**2,817**	**100.0**	**2,850**	**100.0**

(a) *Franchise Stores*

We have a rapidly growing sales network supported by our franchisees. We believe our business model of having franchise stores across the PRC allows us to expand rapidly in targeted markets as the franchise business model provides an asset-light and cost-effective means of expanding our store network and geographical coverage. By partnering with local franchisees who possess exceptional distribution capabilities and local industry knowledge, we were able to efficiently enter into and expand our retail presence in third and lower tier cities in China. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded an average revenue[(Note)] of RMB5.5 million, RMB5.4 million, RMB6.7 million and RMB2.9 million per franchise store, respectively. According to Frost & Sullivan, the engagement of franchise stores as a method of distribution is common in the gold jewellery industry in the PRC.

We enter into a separate franchise agreement with each franchise store. Our franchise agreements grant franchisees the rights to operate and open franchise stores within specific geographical regions, and to sell our products under our brand name "梦金园" to consumers. While the franchisee is primarily responsible for managing the franchise store, staffing, and profit and loss, we closely supervise our franchisees to ensure consumer satisfaction, service quality, and to protect our reputation. To ensure consistency in operations, we provide a set of operational procedures that our franchisees are required to comply with. See the section "— Sales and Distribution Channels — Franchisees and provincial dealers management" above for further details.

To enhance franchisee management and standardize the image of our franchise stores, we have implemented a systematic and unified standard. This standard covers various aspects, including product display, sales process, after-sales service, pricing, promotion, salesperson appearance, and promotional language. We occasionally ask managers and inspectors to visit and record the business operation of franchise stores.

The table below sets forth the changes in the number of the franchise stores during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Beginning of the year/period	2,543	2,680	2,743	2,817
Additions	318	258	301	115
Closures	(181)	(195)	(227)	(82)
Net increase	137	63	74	33
End of the year/period	2,680	2,743	2,817	2,850

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the number of franchise stores closed was 181, 195, 227 and 82, respectively. The major reasons for closure of stores during the years/period indicated were (i) failure of franchise store to follow our store operational standards; (ii) franchisees took the initiative to terminate for various reasons, including the franchisees considered the performance of the franchise store to be unsatisfactory; and (iii) termination of or disagreements to the renew of lease agreements.

Note: Calculated by dividing revenue derived from franchise network (i.e. including revenue generated from provincial-dealers) by the total number of franchise stores as of the ending date of the respective year/period.

During the Track Record Period, we implemented a careful expansion strategy and successfully attracted a fitting number of new franchisees. We also proactively adjust and improve our distribution management strategies to suit our business development. By maintaining stringent management control, we terminated our business relationship with franchisees who failed to meet our expectations in terms of sales performance, operational capabilities, active transactions, and materially breached our franchise management policies. During the Track Record Period, there was no material breach of franchise agreement that resulted in a material adverse impact to our Group.

Set forth below is a summary of the salient terms of our franchising agreements for franchise stores:

Duration:	Typically for one year and is renewable.
Exclusivity:	Without our prior consent, our franchisees shall only sell products sourced from us. For application procedures for the sales of products sourced from third parties, see "— *Admittance of third-party products*".
Minimum sales target: . . .	Depending on the historic transaction amount, we may require franchisees for a minimum sales amount.
Restrictions on appointing sub-distributor(s):	There are no provisions in our franchising agreements restricting our franchisees from further appointing sub-distributors*(Note)*.
Store location:	Our franchisees are required to operate the franchise store only in our approved premises and not at any other premise or online platforms in order to minimize malicious competition among franchisees.
Cost of renovation of store:	The franchisees shall be responsible for appointing renovation agencies approved by us to renovate the franchise store, provided that the renovation plan is in accordance with our internal standards.

Note: We enter into a separate franchise agreement with the relevant franchisee for each franchise store. Thus, before a franchisee opens a franchise store through a sub-distributor, such franchisee would have to receive our consent and enter into a separate franchise agreement with us. As of the Latest Practicable Date, we had not entered any such agreements, and neither were we aware of the appointment of sub-distributors by any of our provincial-dealers or franchisees. Moreover, our relevant personnel regularly visit our franchise stores, and during such visits they have not come across franchise stores that have not been authorized by us. Accordingly, to the best of our knowledge, there were no appointments of sub-distributors by our provincial-dealers and franchisees, and hence no revenue attributable to provincial-dealers and franchisees who engaged sub-distributors. In addition, our sales to provincial-dealers and franchisees are buy-out sales and we had not received substantial product returns during the Track Record Period. Based on the aforementioned, our Directors are of the view that there was no abnormal accumulation of inventories from our franchisees that raises reasonable suspicion of the existence of sub-distributors during the Track Record Period.

Settlement terms and credit period:	Upon execution of the franchising agreement, our franchisees are required to pay an annual brand royalty and franchising fee. According to the franchising agreement, we charge a fixed annual brand royalty fee of RMB30,000 for each franchise store, which may be discounted at our discretion. We also charge a one-time franchising fixed fee of RMB10,000 per franchise store. The annual brand royalty fee and franchising fee were set by us with reference to similar fees charged by our industry peers according to Frost & Sullivan. Fees that we collected are applied to commercials, advertisements, sales events, amongst other events/ purposes that we believe can support and strengthen our franchise network. According to Frost & Sullivan, the annual brand royalty fee and the franchising fee that we charge per franchise store are within the industry norm, which usually range from RMB30,000 to RMB100,000, or are determined by a designated percentage of the sales value of the previous year. Thereafter, franchisee settle with us based on the actual amount of products purchased. We generally grant franchisees a credit period ranging from three to 90 days.
Suggested retail price and discount:	We set a suggested retail price for our gold jewellery products. Our franchisee shall participate in promotional activities arranged by us.
Transfer of risk:	The risk transfers to the franchisees after they complete inspection and confirm receipt of the products on the day of delivery. The franchisee is also responsible for purchasing insurance for the delivery of products.
Product return:	Once the franchisee has accepted delivery of the goods, we generally do not allow the return of products. According to Frost & Sullivan, our product return policy is in line with industry practice.

(b) ***Provincial-dealers***

In regions where we do not have our own self-operated direct service centers, we appoint provincial-dealers to handle sales distribution to franchisees in that region. As of December 31, 2023, we had 17 provincial-dealers and there had been no changes of number of provincial-dealers throughout the Track Record Period. Provincial-dealers set up exhibition halls where our products will be showcased, and franchisees in such regions can source our products at the exhibition halls. According to Frost & Sullivan, the engagement of provincial-dealers is common in the gold jewellery industry in the PRC. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded an average revenue of RMB315.5 million, RMB306.3 million, RMB391.1 million and RMB144.3 million per provincial-dealer*(Note)*, respectively.

While provincial-dealers facilitate the distribution of our products to franchisees within the regions, we are responsible for the brand management, store management, and after-sales services for franchisees in the respective regions.

We normally deliver our products to provincial-dealers' exhibition halls without transferring title of goods, and provincial-dealers will only confirm purchases and settle with us after they sell such products to franchisees. However, diamond products are usually delivered to provincial-dealers following their confirmed purchases, and we generally grant a product exchange period of five years for diamond products only.

Set forth below is a summary of the salient terms of our provincial-dealer agreements with provincial-dealers:

Duration:	Typically for one year.
Area of distribution:	Provincial-dealers are restricted to distributing our products within the agreed region. We have the right to expand, re-assign or modify the operating regions of the provincial-dealer.
Use of brands:	Provincial-dealers are authorized to use our brands, trademarks and other intellectual property rights within the agreed region. They are required to protect our brand and reputation during their ordinary course of business and marketing and promotion activities. Provincial-dealers are prohibited from authorising third-parties to use our brand.
Minimum sales target: . . .	Depending on the historic transaction amount, we may require provincial-dealers for a minimum sales amount.
Restrictions on appointing sub-distributor(s):	There are no provisions in our provincial-dealer agreements restricting our provincial-dealers from further appointing sub-distributors.
Cost for operating exhibition hall:	The provincial-dealer shall be responsible for appointing renovation agencies approved by us to renovate the exhibition hall premises, provided that the renovation plan is in accordance with our internal standards.

Note: Calculated by dividing revenue derived from provincial-dealers by the total number of provincial-dealers as of the ending date of the respective year/period.

Admittance of third party products:	Provincial-dealers may only sell products of third parties in accordance with our relevant product admittance procedures.
Resale selling price of products:	Provincial-dealers must onward sell our jewellery products to franchisees in accordance with the price guidance provided by us.
Settlement and credit terms:	At the end of an day of sale in exhibition halls, the provincial-dealers shall confirm with us the amount of products sold. Upon the conclusion of an agreed period, provincial-dealers shall settle with us based on the actual number of products sold. We generally grant provincial-dealers a credit period ranging from three to 90 days.

(c) ***Self-operated stores***

We operate self-operated stores to directly sell our products to consumers. We believe business strategies on having self-operated stores are built on several benefits, including:

- **Greater control over the consumer experience:** By owning and operating our self-operated stores, we have greater control over the consumer experience and can ensure that our products and customer services align with our brand's values and standards.
- **Improved brand recognition:** Self-operated stores can help improve brand recognition and awareness, as consumers can directly interact with our products and staff. It also sets a standard for our franchisees to follow in the operation of their franchise store.
- **Increased revenue and profitability:** By selling our products directly to consumers, we can eliminate distributor costs and therefore increase our revenue and profitability.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded an average revenue of RMB11.5 million, RMB11.5 million, RMB11.8 million and RMB5.6 million per self-operated store[Note 1], respectively comparing with average revenue per franchise store[Note 2] of RMB5.5 million, RMB5.4 million, RMB6.7 million and RMB2.9 million for the same period, respectively. During the same period, the average monthly sales per self-operated store[Note 3] were approximately RMB957,000, approximately RMB954,000, approximately RMB981,000 and approximately RMB926,000, respectively, comparing with the average monthly sales per franchise store[Note 4] of approximately RMB458,000, approximately RMB451,000, approximately RMB560,000 and approximately RMB480,000, respectively.

Same store sales of our self-operated stores

Our profitability is affected in part by our ability to successfully increase revenue from our existing stores, primarily through the launch of new products and various marketing and promotional events, such as the "One RMB Exchange" promotions and advertisement through different media. We utilize data collected from our self-operated stores to illustrate the condition of our same store growth because we have robust data from such stores for the relevant analysis. Same store sales growth rates of our self-operated stores provide a period-to-period comparison of our performance, excluding increases and decreases due to the opening and closing of new self-operated stores and only taking into account of stores that were in operation at the ending dates in both of the compared years. There are variations in the way in which other retailers calculate these metrics. Accordingly, our Directors are of the view that these metrics may not be fully comparable with those of our competitors.

Notes:

(1) Calculated by dividing revenue derived from self-operated stores by the total number of self-operated stores as of the ending date of the respective year/period.

(2) Calculated by dividing revenue derived from franchise network (i.e. including revenue generated from provincial-dealers) by the total number of franchise stores as of the ending date of the respective year/period.

(3) Calculated by dividing average revenue per self-operated store (calculation as indicated in Note 1 above) by the number of months of the relevant year/period.

(4) Calculated by dividing average revenue per franchise store (calculation as indicated in Note 2 above) by the number of months of the relevant year/period.

The table below sets forth our same store sales of self-operated stores for the years indicated:

	Year ended December 31,		Year ended December 31,		Six months ended June 30,	
	2021	2022	2022	2023	2023	2024
Number of the same self-operated stores that were in operation at the ending dates in both of the compared years/periods	27		29		28	
Same store sales of our self-operated stores (RMB'000)	347,313	340,725	349,040	362,033	202,607	170,376
Same store sales growth of our self-operated stores (%)	(1.9)[(1)]		3.7		(15.9)[(2)]	

Notes:

(1) The same store sales growth of self-operated stores was (1.9)% for the year ended December 31, 2022, primarily because of disruptions to the operation of our self-operated stores caused by the pandemic.

(2) The same store sales growth of self-operated stores was (15.9)% for the six months ended June 30, 2024 when compared to the corresponding period in 2023, which was in line with the fluctuation in sales at our self-operated stores due to the decline in consumption sentiments of purchase of gold products.

The table below sets forth the changes in the number of the self-operated stores during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Beginning of the year/period	28	31	32	35
Additions	3	4	8	1
Closures*(Note)*	—	(3)	(5)	—
End of year/period	31	32	35	36

Note: Major reasons for closure of stores during the Track Record Period included change in our marketing strategy.

E-commerce sales

We have also been ramping up our online presence and catering to our consumers' evolving consumption patterns. Through making our products available on leading, nationwide e-commerce platforms, such as JD.com and Tmall, which are independent third-parties, our gold jewellery products are easily accessible by our consumers via online platforms. Our online sales grew rapidly across the Track Record Period. Revenue recorded from our e-commerce sales for the year ended December 31, 2021 of RMB1,608.3 million was higher than that in 2022 and 2023, mainly due to our sales of gold bullion to Vipshop, for a promotional event. For details, see "Financial Information — E-commerce sales". As we continue to expand our footprints online, we believe we are able to broaden our consumer coverage and forge a lasting connection between our brand and consumers.

We adopt two types of e-commerce sales model as following:

Sales Model	Major e-commerce platforms	Description	Settlement	Logistics
Self-operated E-commerce . .	Tmall, JD.com POP	We establish our own online stores on the e-commerce platforms and sell goods directly to consumers	Consumer makes payments to the e-commerce platform or their payment gateways, then such amount will be transferred to us after confirmation of sales	We engage third party service providers to deliver the goods to the consumers directly
Sales to platform	Vipshop, JD.com and etc.	The e-commerce platform either settles with us directly upon purchase or settles with us after they have successfully sell our products on behalf of us. The e-commerce platform then sells our products to consumers on our behalf.	Bank transfer	We deliver the goods to the designated warehouses of the e-commerce platform and the e-commerce platform handles the delivery to the consumers

(a) ***Self-operated E-commerce***

Under our self-operated e-commerce model, we sell directly to consumers through establishing our online flagship stores on three main e-commerce platforms, namely, Tmall, JD.com, PinDuoDuo among others, and thus providing a convenient and efficient shopping experience to our consumers. The following key steps summarizes our self-operated e-commerce operations:

- Consumers place orders through our online flagship stores on the e-commerce platforms, and pay for the jewellery products via the platform's payment gateway.
- Payments are automatically credited to our e-commerce account once the order is confirmed and we issue invoices to consumers as required.
- We provide delivery, product return, and after-sales services directly to the consumers.

Consumers are generally allowed to return the purchased products within the purchase cool-down period, which is generally seven days upon purchased and they are eligible for a refund.

(b) *Sales to platforms*

Under our sales to platforms model, we sell our product directly to the e-commerce platforms and they settle with us accordingly. We deliver the goods to the warehouses of the e-commerce platforms and they are responsible for product promotion, order management and delivery. Consumers place orders and pay directly to the e-commerce platforms and the e-commerce platforms arrange delivery and provide after-sales services as necessary, whereas we provide after-sales services to the e-commerce platforms in accordance with our contractual obligations. The e-commerce platforms settle with us on a regular basis following the agreed billing period. According to Frost & Sullivan, the engagement of e-commerce platforms for the distribution of our products is in line with the industry norm in the gold jewellery industry.

Set forth below is a summary of the salient terms of our standard agreements with e-commerce platforms during the Track Record Period:

Duration:	Typically for one year.
Minimum purchase requirement:	We generally do not set sales target for e-commerce platforms.
Pricing policy:	We generally sell our products through e-commerce platforms at a mutually agreed price after considering the suggested price provided by us.
Product return:	The terms and policies for product return between e-commerce platforms vary, we generally allow product return in various circumstances including product defects or products not sold to consumers after a set period of time, which is usually seven or 15 days in accordance with return policy of the e-commerce platforms. In case product return is allowed, e-commerce platforms will give refund instructions to us in the manner as contractually agreed and we shall reimburse the e-commerce platforms for refunds. According to Frost & Sullivan, our product return policy is in line with industry practice.
Credit terms:	Based on the specific arrangements, we generally grant a credit period within 30 days.

The table below sets forth the changes in the number of e-commerce platforms under sales to platforms engaged by us during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Beginning of the year/ period	8	10	13	12
Additions	4	4	3	—
Cessation(Note)	(2)	(1)	(4)	—
End of year/period	10	13	12	12

Note: The major reason for cessation was due to adjustments in marketing strategy by our management.

For sales of goods from self-operated online stores, revenue is recognised when the end customer confirms acceptance of goods. For sales of goods to platforms, revenue is recognised when the platform accepts goods or we delivered to the carrier designated by the platform. The point at which revenue is recognised is also the point at which the customer obtains control of goods. Such revenue recognition practices comply with our Group's revenue recognition policy.

The actual amount of returns from e-commerce platforms during the Track Record Period were as follows:

	Year ended December 31,						Six months ended June 30,	
	2021		2022		2023		2024	
	Actual amount of returns	Percentage	Actual amount of returns	Percentage	Actual amount of returns	Percentage	Actual amount of returns	Percentage
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
E-commerce returns(Note):								
Self-operated online stores	10,607.4	26.9	18,818.8	69.5	41,686.8	74.0	28,677.5	33.0
Sales to platform	28,757.3	73.1	8,277.9	30.5	14,622.9	26.0	58,350.8	67.0
Total:	**39,364.7**	**100.0**	**27,096.7**	**100.0**	**56,309.7**	**100.0**	**87,028.3**	**100.0**

Note: The amount of sales returns from e-commerce platforms "after receipts were confirmed" is also included.

Returns from e-commerce platforms include both returns from end consumers to our self-operated online stores and returns from our sales to platforms. The major reasons for the return of goods from e-commerce platform sales to consumers included: (i) returns during the seven-day cool-down period for online purchases, and (ii) consumers refusing to accept goods due to personal reasons. For returns from e-commerce platforms during the Track Record Period, the majority of returns occurred before the consumer or the system confirmed receipt of goods, meaning that returns happened before we recognized revenue. Fewer returns occurred after receipts were confirmed. Returned goods from e-commerce platform sales constituted a de minimis portion of our total sales during the Track Record Period. Returned products from e-commerce platforms are generally resold on e-commerce platforms. Changes in our sales returns from e-commerce closely followed our sales trends through this channel, and the rapid increase in the actual amount of returns through our e-commerce channel was mainly attributed to the increase in actual returns from our sales to end consumers via our self-operated online stores. In 2021, our e-commerce sales returns were primarily from transactions with platforms, notably from sales of gold bullion to Vipshop. In 2022, our e-commerce sales returns decreased in line with a reduction in our overall e-commerce sales, however such decrease was partially offset by an increase in the actual amount of returns from our self-operated online stores as our sales through such channel materially increased to RMB233.6 million in 2022 from RMB79.1 million in 2021. In 2023, our e-commerce sales returns increased mainly due to returns from end consumers who purchased via our self-operated online stores. In turn, this increase in sales returns was primarily attributed to our sales of gold bullion to end consumers through our self-operated online stores on JD.com. For the six months ended June 30, 2024, our e-commerce sales returns were primarily from sales to platforms, particularly from sales of gold bullion to a leading PRC online retailer.

Sales returns after receipts confirmation are not allowed for most e-commerce platforms, while returns after receipts confirmation due to quality issues are only allowed for few e-commerce platforms within a certain period of time. In practice, sales returns from e-commerce platforms "after receipts were confirmed" is directly deducted from the revenue.

Sales to Vipshop under a Promotion Event in 2021 and the first half of 2024

Certain online retailers may procure products from us when they conduct promotional events. In 2021, we sold a large batch of gold bullion to a leading online discount retailer, Vipshop. The gold bullion sold to Vipshop was then resold at a promotion event throughout 2021 organized by Vipshop. During this event, Vipshop promoted the sales of gold bullion to its members at a discount to market prices. Vipshop obtained the gold bullion through us, and we received approximately 3,300 orders from Vipshop during the 40-week promotion event. We believe Vipshop collaborated with us because of our (i) market reputation; and (ii) sales and supply chain capability. In addition, Vipshop made another procurement of gold bullion from us in the first half of 2024 for its promotional event. We generally do not allow the return of gold bullion, and during the Track Record Period, we received only a de minimis amount of gold bullion returns from the online discount retailers we sold to, including Vipshop in 2021.

Loss-making stores

During the Track Record Period, there were some loss-making stores and the details are as below:

	Year ended/As of December 31,			Six months ended/As of June 30,
	2021	2022	2023	2024
Self-operated stores				
— Total number of self-operated stores[6]	31	35	40	36
— Number of loss-making self-operated stores	4	7	3	6
— Aggregate operating loss amount (RMB'000)	259.2[1]	1,730.0[2]	636.8[3]	930.7[4]
E-commerce stores				
— Number of e-commerce stores	12	14	16	14
— Number of loss-making e-commerce stores	5	6	6	6
— Aggregate operating loss amount (RMB'000)	4,718.9[5]	2,928.0[5]	2,182.3[5]	1,728.1[5]

Notes:

(1) We had an aggregate operating loss of RMB259,200 from our self-operated stores in 2021, primarily due to the slow-moving sales at one self-operated store, which contributed to be approximately 50% of the loss.

(2) We had an aggregate operating loss of RMB1.7 million from our self-operated stores in 2022, primarily due to the adjustments in the leasing contract of one of the self-operated stores and an increase in leasing costs at another.

(3) We had an aggregate operating loss of RMB0.6 million from our self-operated stores in 2023, primarily due to we established several self-operated stores in 2023, all of which have yet to reach breakeven, thereby causing an operating loss. In particular, out of the newly established stores, we have closed down one of them due to the low sales volume, which further contributed to the aggregate operating loss of our self-operated stores.

(4) We had an aggregate operating loss of RMB0.9 million from our self-operated stores for the six months ended June 30, 2024, primarily due to the establishment of one new self-operated store towards the end of 2023 and one at the beginning of 2024, both of which have yet to reach breakeven, thereby causing an operating loss.

(5) We had aggregate operating losses from our e-commerce stores of RMB4.7 million, RMB2.9 million, RMB2.2 million and RMB1.7 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, primarily due to the establishment of new e-commerce stores and the operational expenses of e-commerce stores. The costs we incurred in association with many of such stores, including marketing and promotion fees, staff salaries and other miscellaneous expenses, exceeded the gross profits we derived from sales of products in such stores because they were still in the sales ramp-up stage.

(6) The number of self-operated stores includes all self-operated stores that were in operation during the relevant year/period in the Track Record Period.

Our customers

Our customers are primarily our franchisees and provincial-dealers. They normally settle payment with us by bank transfer and/or by way of gold trade-in settlement. Consumers are also considered as our customers if they purchase directly from our self-operated stores or self-operated e-commerce platforms.

Our five largest customers of each year/period of the Track Record Period primarily consist of provincial-dealers, except for an online retailing platform as one of our five largest customers in 2021 and six months ended June 30, 2024, and one franchisee as one of our five largest customers in 2023. The revenue we derived from our five largest customers of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 accounted for approximately 23.2%, 17.6%, 18.7% and 21.3% of our total revenue for the respective year/period. Save for customers who participated in the gold trade-in activities, none of our five largest customers of each year/period during the Track Record Period supplied gold to us in each year and period during the Track Record Period. For details of our gold trade-in, see "— Gold Trade-in".

During the Track Record Period, we were not dependent on any single customer. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties, nor had we experienced any material disputes with our customers causing material disruption to our business. None of our Directors or their respective close associates or any of our Shareholders who own more than 5% of our issued share capital had any interest in any of our five largest customer of each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. During the Track Record Period, we did not enter into any long term contracts with our five largest customers of each of the respective year/period.

Pricing Policy

We generally adopt a cost-plus pricing policy for our gold jewellery and K-gold products. When we sell our gold products and K-gold, we normally charge customers based on prevailing market price of gold and crafting fees, multiplied by the weight of gold. Crafting fees represent mark-ups on top of the costs of our products, which vary by product and by the transaction type. We determine crafting fees primarily with reference to the following criteria: (i) whether the transaction is settled by trade-in gold from third-party brands, we charge a higher crafting fee to cover the necessary costs of purifying and processing gold from third-party brands, (ii) our counter-party, namely (a) consumers with whom we directly transact, or (b) franchisees and/or provincial-dealers, whereby we charge a higher crafting fee when transacting with consumers to align with the charges imposed by our franchisees when they transact with consumers, (iii) the product specification, including its design and production complexity, and (iv) whether the product is to be sold under the "One RMB Exchange" for our "Wan Purity" series products. The crafting fees listed in the table below illustrate the differences between crafting fees charged for the same gold jewellery product in different scenarios. The crafting fees listed are for illustrative purpose only and are not indicative of the actual crafting fees charged for each scenario.

	Settlement Party		
	Consumers of Self-operated Stores	Franchisees	Provincial-dealers
	Crafting Fee per Gram		
Form of Settlement			
Cash	RMB45	RMB18(Note 2)	RMB15(Note 2)
Trade-in Gold of Our Own Brand	RMB65(Note 1)	RMB18(Note 2)	RMB15(Note 2)
Trade-in Gold of Third-party Brand	RMB75(Note 1)	RMB21	RMB18

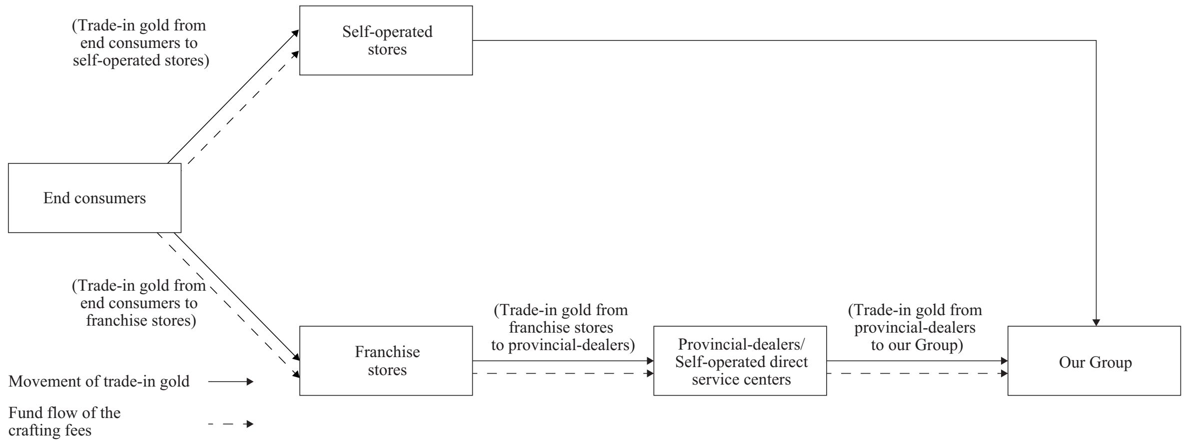
Note 1: The crafting fee charged to consumers when gold trade-in is involved is determined with reference to (i) our market position in, and (ii) the competitive landscape of, the relevant market.

Note 2: The crafting fee charged to franchisees and provincial-dealers is the same when gold trade-in is settled in cash or gold of our brand. This is because we believe in the quality of gold jewellery of our own brand and does not require mark-up on crafting fee when trade-in gold is of our own brand.

In addition, we charge a nominal crafting fee under the "One RMB Exchange" program, where our self-operated stores and franchise stores charge RMB1.0 per gram as the crafting fee for our end consumers, and we charge RMB4.5 per gram as the crafting fee for our provincial-dealers and franchisees. The table below sets forth the crafting fees we charged different parties under the "One RMB Exchange" program:

	Settlement Party		
	End consumers at both self-operated stores and franchise stores	Franchisees	Provincial-dealers
	Crafting fee per gram		
Form of Settlement			
Trade-in gold under the "One RMB Exchange" program	RMB1.0	RMB4.5	RMB4.5

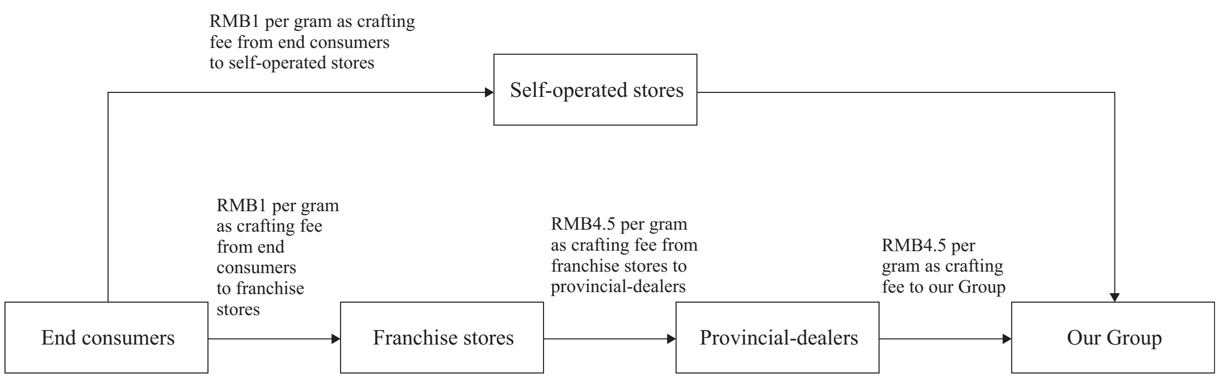
The following diagram outlines the transaction and fund flow of the "One RMB Exchange" promotion between our end consumers, franchise network, and our Group.



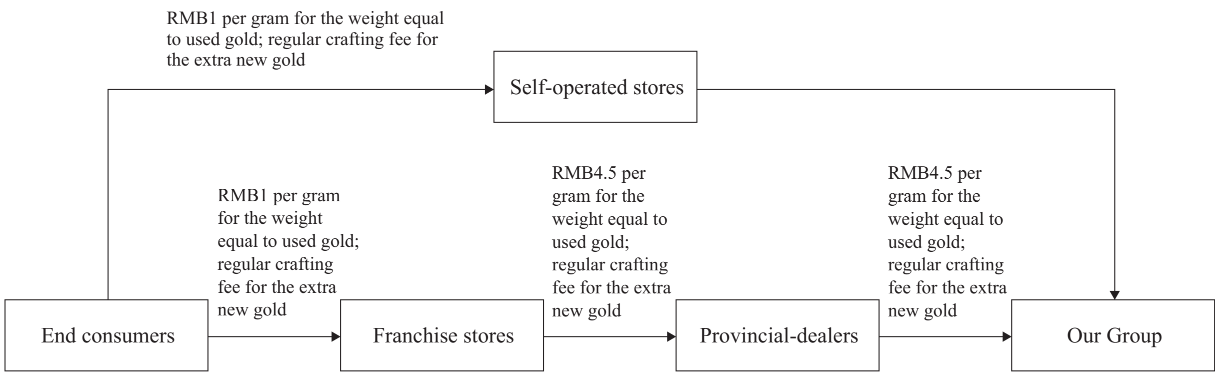
Under the "One RMB Exchange" program, we charge nominal crafting fees for the used gold received and for the additional new gold purchased (the portion that exceeds the weight of the trade-in gold), we charge regular crafting fee.

The following diagram illustrates the allocation of crafting fees charged by our franchise network during the "One RMB Exchange" program across two scenarios:

Scenario I: If the weight of the used gold is the same as that of the new gold, end consumers pay only RMB1 per gram for the trade-in gold. There is no gold price component payable in cash for the new product.



Scenario II: If the weight of the used gold is less than that of the new gold jewellery, end consumers pay for the following components: (i) RMB1 per gram as the nominal crafting fees for the weight of used trade-in gold under "One RMB Exchange" program, (ii) the regular crafting fees for the extra new gold, and (iii) the price of the extra new gold, calculated as prevailing gold price multiplied by (the weight of the new gold minus weight of the used gold.)



Average and price range of crafting fees according to different source

During the Track Record Period, the crafting fees we derived from sales of gold jewellery and K-gold products were less than 5% of our total revenue for each of the respective year/period. The following table sets forth the crafting fees associated with gold jewellery and K-gold products for each year during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	RMB	**RMB**	**RMB**	**RMB**
Gold jewellery*(Note 3)*				
Crafting fee range*(Note 1)*	1.00–199.98	1.00–189.92	1.00–215.49	1.00–209.99
Average crafting fee*(Note 2)*	15.53	14.81	18.38	18.68
K-gold products*(Note 3)*				
Crafting fee range*(Note 1)*	10.82–399.98	7.50–389.97	1.00–408.29	1.28–410.96
Average crafting fee*(Note 2)*	46.26	59.12	51.99	41.12

Notes:

(1) We exclude the fixed-price products, when we calculate crafting fee range.

(2) We calculate the average crafting fee for trade-in gold jewellery and K-gold products using the total crafting fee in RMB divided by the total gold weight in grams.

(3) We have a diverse range of trade-in gold jewellery and K-gold product types. We charge different crafting fees based on the styles and types of the gold jewellery and K-gold products, which results in a wide range of crafting fee. It is necessary to account for the differences in the complexity, including the level of detail for the product design (i.e., one pattern or multiple patterns), and craftsmanship, including pressing and product surface treatment, required for each distinct K-gold product. Crafting fees for our gold jewelry products are generally higher for high-precision, semi-handcrafted ancient-style craftsmanship, with fees reaching up to approximately RMB209 per gram, depending on the complexity of the craftsmanship methods and styles used. Similarly, crafting fees for our K-gold products are higher for inlaid designs, with fees reaching up to approximately RMB410 per gram, based on the number of inlays and the complexity of the craftsmanship.

The following table sets forth the crafting fees associated with gold jewellery and K-gold products through gold trade-in transactions for each year during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	RMB	**RMB**	**RMB**	**RMB**
Sales of gold jewellery settled by traded-in gold				
Crafting fee range*(Note 1)*	1.00–199.98	1.00–189.92	1.00–208.98	1.00–208.14
Average crafting fee*(Note 2) (Note 4)*	11.33	9.93	11.82	15.74
Sales of K-gold products settled by traded-in K-gold*(Note 3)*				
Crafting fee range*(Note 1)*	10.84–399.04	7.50–389.77	1.00–408.29	1.28–410.3
Average crafting fee*(Note 2)*	53.63	61.61	60.43	59.91

Notes:

(1) We exclude the fixed-price products, when we calculate crafting fee range for products through gold trade-in.

(2) We calculate the average crafting fee for trade-in gold jewellery and K-gold products using the total crafting fee in RMB divided by the total trade-in gold weight in grams.

(3) We have a diverse range of trade-in K-gold product types. We charge different crafting fees based on the styles and types of the K-gold products, which results in a wide range of crafting fee. It is necessary to account for the differences in the complexity and craftsmanship required for each distinct K-gold product.

(4) The average crafting fee associated with gold jewellery through gold trade-in transactions was lower than the average crafting fee associated with sales of gold jewellery mainly due to "One RMB Exchange" program.

The following table sets forth the crafting fees associated with trade-in gold from our brand and from third-party brand for each year during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB	RMB	RMB	RMB
Sales settled by trade-in gold from our brand (excluding gold bullion)				
Crafting fee range	1.00–199.83	1.00–189.44	1.00–199.71	1.00–208.14
Average crafting fee*(Note 1)*	8.02	7.61	9.18	13.24
Sales settled by trade-in gold from third-party brand (excluding gold bullion)				
Crafting fee range	7.2–199.98	6.05–189.92	8.00–208.98	7.17–198.12
Average crafting fee*(Note 1)(Note 2)*	15.36	17.03	21.45	20.89
Sales settled by trade-in gold bullion				
Crafting fee range*(Note 3)*	1.00–97.06	1.00–83.30	1.00–83.82	1.00–97.73
Average crafting fee	4.80	1.72	4.14	5.11

Notes:

(1) We calculate the average crafting fee from our brand and from third-party brand using the total crafting fee in RMB divided by the total trade-in gold weight in grams.

(2) Our average crafting fee for sales settled by trade-in gold from third-party brand was largely in line with the average crafting fee of our gold products for 2021. Commencing in 2022, we implemented stricter control on accepting traded-in gold from third-party brand and continued to charge higher crafting fees on sales settled by trade-in gold from third-party brand. As a result, our average crafting fee for sales settled by trade-in gold from third-party brand had been evidently higher than the average crafting fee of our gold products since 2022.

(3) Our trade-in program for gold bullion includes craft gold bullion, investment gold bullion, and investment ornaments. Crafting fees for craft gold bullion and investment ornaments are higher due to their intricate designs and craftsmanship.

The following table sets forth the crafting fees of trade-in gold from different customer types, such as consumers who purchase from our self-operated stores, provincial-dealers and franchisees for each year during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB	RMB	RMB	RMB
Self-operated stores' sales to end consumers				
Crafting fee range	1.00–399.98	1.00–389.97	1.00–408.29	1.00–410.96
Average crafting fee*(Note)*	72.78	63.96	75.28	71.36
Sales to franchisees				
Crafting fee range	1.00–92.50	1.00–189.50	1.00–191.50	1.00–118.50
Average crafting fee*(Note)*	12.59	12.51	15.79	17.18
Sales to provincial-dealers				
Crafting fee range	1.00–46.50	1.00–40.50	1.00–102.00	1.00–30.50
Average crafting fee*(Note)*	11.33	10.79	13.54	15.21

Note: We calculate the average crafting fee for trade-in gold using the total crafting fee in RMB divided by the total trade-in gold weight in grams.

As indicated in the above, we handle a diverse range of trade-in K-gold product types. Different types of K-gold products incur varying crafting fees depending on their specifics. This broad range is due to the inclusion of various types of K-gold products in the trade-in gold. The wide range of crafting fees is attributed to (i) the diversity in styles of K-gold products; and (ii) each style may require different levels of craftsmanship and materials.

The following table sets forth the crafting fees we charged during the "One RMB Exchange" program for each year during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB	RMB	RMB	RMB
Crafting fees charged by our self-operated stores to end consumers during the "One RMB Exchange" program				
Crafting fee range	1.00	1.00	1.00	1.00
Average crafting fee*(Note 1)*	1.00	1.00	1.00	1.00
Crafting fees we charge to franchisees under the "One RMB Exchange" program				
Crafting fee range	4.50	4.50	4.50	4.50
Average crafting fee*(Note 1)*	4.50	4.50	4.50	4.50

Note 1: We calculate the average crafting fee for our franchisees and self-operates stores during the "One RMB Exchange" program using the total crafting fee in RMB divided by the total trade-in gold weight in grams.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total amount of crafting fees we charged aggregated to RMB513.6 million, RMB482.7 million, RMB662.8 million and RMB279.1 million, respectively, representing 3.0%, 3.1%, 3.3% and 2.8% of our total revenue for the corresponding years/period.

If there is an increase in the prevailing gold market price, we would adjust our price of gold jewellery and K-gold products based on the current market price. Diamond inlaying products are usually priced based on cost-plus basis, and we usually add to our cost a profit margin on different products with reference to their respective design complexity, novelty and popularity of the relevant product line on a case-by-case basis, and come up with a fixed selling price.

We have a suggested retail price guide for crafting fees to be charged, and franchisees have some discretion to conduct promotional sales as long as they meet with our minimum retail price requirements and franchisees can also adjust the mark-up based on fluctuations in the market gold price. To maintain fair competition, we encourage franchisees in the same city or region to maintain a consistent price, which is regulated by our market supervision department to prevent unfair competition.

We usually transfer any increase in cost of gold material to our customers for gold products and maintain a reasonable profit margin. Our ability to pass on increases in costs of raw materials to our customers varied primarily depending on whether the jewellery products are priced mainly based on their cost of raw material or both their cost of raw material and crafting work.

Marketing and promotion

The high-purity of our gold jewellery demonstrates not only our leading technical know-how but also the crux of our marketing strategy setting us apart from our competitors. We understand and appreciate the deeply-rooted belief of Chinese consumers in the authenticity and invaluable nature of high-purity gold jewellery. As a result, high-purity gold is an integral part of our brand concept and jewellery design. Our commitment to using only the finest raw materials and our attention to craftsmanship ensure that our gold jewellery exceeds the high expectations of our customers in terms of both quality and value. Our focus is not only on the aesthetic appeal and trendiness of our gold jewellery products, but also on the cultural and emotional significance that they represent. By prioritizing these values, we aim to gain customer loyalty and enhanced our brand recognition through positive publicity.

We develop tailored marketing plans that cater to specific product characteristics and market demands. For example, we have teamed up with renowned intellectual property owners to introduce cross-over merchandise, such as the "Master Craftsman Legend (大師匠傳)" jewellery series in collaboration with the "Eight Imperial Handcrafts (燕京八絕)" and the "Lucky Golden Year (金年大吉)" jewellery series with a widely recognized beverage brand. We also introduced the "Sail with Dreams (小夢奇航)" jewellery series in honor of China's space exploration achievements, among others. These products extend our brand influence and attract greater attention and participation from our consumers. In addition, our self-operated stores and franchisees' stores simultaneously serve as our primary customer touchpoints and as our brand ambassadors. We provide guidelines to franchisees to design and decorate stores to provide a uniform ambiance that is both comfortable and stylish, thereby capturing consumers' attention and stimulating their desire to purchase.

Due to our OBM capabilities, we are able to devise promotional plans for franchisees to take advantage of different festivals and holidays. We deploy consistent marketing and promotional strategies through operations management, daily training, and on-site supervision. As an illustration, we initiated the "One RMB Exchange" promotion, which runs for up to one week in each region annually. Through this promotion, our franchisees may accept consumer trade-in of their used high purity "Wan Purity" series gold jewellery of 999.9 for new pieces of "Wan Purity" series gold jewellery of the same weight or more by paying only the crafting fees of one RMB for each traded-in gram of gold to our franchisees or our self-operated stores, as applicable, and full price of any addition of gold purchased. Accordingly, consumers can enjoy the benefits of purchasing new pieces of gold jewellery while franchisees also benefit from consumer flow during such promotion events. As a result, this not only boosts consumers' confidence and desire to purchase from us but also creates a positive cycle that encourages them to continue buying from our "梦金园" brand, thereby increasing brand recognition and customer loyalty.

To strengthen our online marketing efforts, we have established a consumer-centric and multifaceted marketing system that encompasses live streaming, KOL sales, product reviews, advertorials, and more. Furthermore, we specially design promotional pages on leading e-commerce platforms like Tmall, JD.com, Pinduoduo, and Vipshop, utilizing superior content and captivating advertising to stimulate purchase intent and drive customers' engagement.

We have established publicity and promotion management guideline which specifies the approval process for brand publicity, including social media publicity. The context of all external advertising manuscripts, product packaging, product theme posters, and other external promotional materials are reviewed by our legal and compliance departments before publication.

Inventory management

Our inventory comprises raw materials, work-in-progress and finished products.

We have a computerized inventory management system that enables us to track the level of inventory, particularly gold. As of the Latest Practicable Date, our computerized system extended to cover all of our provincial-dealers, allowing us to track the gold inventories held by provincial-dealers on a daily basis. However, due to the fact that the computerized system was only launched in mid-2022 and we did not mandatorily require our franchisees to adopt such system, data collected on franchisees' inventory levels and sales records were not as complete as at the provincial-dealer level. Nevertheless, our Group normally track inventories levels of franchisees through sales reports and through regular site visits.

We manufacture our gold and jewellery products based on confirmed purchase orders from customers and estimated sales volume. Our sales and senior management teams analyze market information to determine the required amount of raw materials required to meet market demand for our products. We closely monitor our inventory levels of production materials, work-in-progress products, and finished products through daily reviews of computerized inventory records. We produce according to demand, thus we generally do not have a significant amount of slow-moving or obsolete stock.

We generally pre-set and maintain an inventory level for gold of approximately five tons, which represents approximately one-eighth of our total annual sales volume. We do not impose any policies on pre-set inventory level for our provincial-dealers and franchisees.

Inventory security

To ensure the security of our inventory which is mainly gold, we have implemented various security measures. Our self-owned production facility is equipped with face recognition entrances and vaults, which can only be accessed by registered staff. At the end of each day, all valuable inventory is counted and stored in the checkout vaults. To prevent misappropriation of gold, all staff must pass through metal detectors when entering and leaving our production facilities. Staff members are required to wear uniforms and must leave all personal belongings and bags in designated storage rooms before entering the production facility. Closed circuit television surveillance is also installed to provide additional security measures.

Our inventory control procedures generally involve the following:

- each inventory withdrawal must be recorded and justified by the person making the withdrawal and the withdrawer must sign a pre-numbered inventory withdrawal notice to acknowledge receipt of the inventory, which must be witnessed by another staff;
- at the beginning of each working day, the inventory control team distributes raw materials and work-in-progress inventory to the supervisors of the production workshops and records all distributions;
- the supervisors of the production workshop then distribute raw materials and work-in-progress to the workers in his/her production workshop and records all distributions;
- at the end of the working day or when the workers leave the production areas, the workers must return all inventories distributed to him/her to the supervisors of the production workshops who will check against his/her record to ensure the inventories returned matches the particulars stated in the record; and
- security guards are placed at the entrances of our production facility to detect any suspicious staff movements and prevent trespassing.

Our Directors confirmed that, during the Track Record Period, our Group did not experience any material loss of inventory due to theft. In light of our inventory control procedures as mentioned above, our Directors are of the view that the inventory control measures implemented by our Group are effective and adequate.

IMPACT OF THE OUTBREAK OF COVID-19

During the Track Record Period, the COVID-19 pandemic and related restrictive policies led to a decline in social networking and business activities, which in turn had adverse impacts on China's gold jewellery market and our operations.

In 2022, our manufacturing facilities in Changle experienced a temporary decrease in capacity, primarily due to an increase in the number of days waiting for raw materials to arrive, caused by recurring COVID-19 outbreaks in China that led to transportation delays. Additionally, a number of our franchise stores were temporarily shut down due to COVID-19 in 2021 and 2022. Despite the COVID-19 challenges, our business maintained an upward trend during the Track Record Period. We had promptly taken various measures to mitigate the impacts of the COVID-19 pandemic, such as (i) organizing our employees to work remotely and closely monitoring their health and wellness; (ii) providing epidemic prevention essentials to our employees, such as masks and disinfectant alcohol; and (iii) conducting routine sanitization and requiring regular negative COVID-19 PCR test results to prevent any resurgence. Our revenue decreased from RMB16,871.0 million in 2021 to RMB15,724.2 million in 2022, primarily due to the pandemic's effect on our sales in the fourth quarter of 2022, then increased to RMB20,208.6 million in 2023, primarily due to the recovery of economic activities in 2023. As of the Latest Practicable Date, COVID-19 has not posed any material adverse impact on our daily operation, supply chain, or regulatory affairs.

With the PRC government substantially lifting COVID-19 prevention and control policies since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse impact on our business going forward. Based on the above, our Directors are of the view that the COVID-19 pandemic did not have any material adverse impact on our overall business, financial condition and results of operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITION

We received a number of accolades in recognition of our quality of products and our achievements. The following table sets forth major awards and recognition we received in recent years:

No	Award	Recipient	Year(s) awarded	Issuing Organization
1	2024 National Product and Service Quality Integrity Demonstration Enterprise (2024年全國產品和服務質量誠信示範企業)	Company	2024	China Association for Quality Inspection
2	2023 China Gold and Jewellery Industry Excellent Full Supply Chain Service Provider (2023中國黃金珠寶行業全產業鏈優秀服務商)	Company	2023	Beijing Gold Economic Development and Research Center and China Gold News
3	2023 China Gold and Jewellery Consumer Survey Recommended National Chain Store Brands (中國黃金珠寶消費者調查全國連鎖推薦品牌)	Company	2023	Beijing Gold Economic Development and Research Center and China Gold News
4	Top Ten Enterprises in China's Jewellery Processing Volume (全國黃金首飾加工量十大企業)	Company	2014–2022	China Gold Association
5	Top Ten Enterprises in China's Jewellery Sales Revenue (中國黃金珠寶銷售收入十大企業)	Company	2015–2022	China Gold Association

No	Award	Recipient	Year(s) awarded	Issuing Organization
6	The 40th Anniversary of China's Reform and Opening up Jewellery Industry Social Contribution Award (中國改革開放40週年珠寶業社會貢獻獎)	Company	2018	Gems & Jewellery Trade Association of China
7	The 40th Anniversary of China's Reform and Opening up Jewellery Industry Social Innovation Award (中國改革開放40週年珠寶業科技創新獎)	Company	2018	Gems & Jewellery Trade Association of China
8	China Jewellery & Jade Association Science and Technology Award (中國珠寶玉石首飾產業協會科學技術獎)	Company	2018	Gems & Jewellery Trade Association of China
9	National Intellectual Property Advantageous Enterprise (國家智慧財產權優勢企業)	Shandong Mokingran	2017	China National Intellectual Property Administration

MARKET AND COMPETITION

According to Frost & Sullivan, the recognition of the gold jewellery brand is one of the most important factors that affect customers' purchasing decisions since gold price is transparent and gold jewellery products are normally set with a high unit price. Brand awareness and brand scale are the assurance of consumers' confidence in product quality and related services. With the improvement of people's aesthetic level, Chinese consumers attach great importance to the quality, design and cultural connotation of jewellery products. The gold jewellery company's ability to accurately decipher what is trendy in the market and launch new product line is crucial, which depends on a strong design team and efficient product design and production system. Establishing a national wide sales channel is also one of the core competitiveness of gold jewellery companies. Building a sales network is time consuming and requires a lot of resources and an experienced management team to form and maintain a long-term stable and reliable cooperative relationship with franchisees at all levels.

The gold jewellery market in the PRC was concentrated in 2023 in terms of revenue from gold jewellery. The market size of gold jewellery in terms of sales revenue experienced an overall growth from RMB308.0 billion in 2018 to RMB518.0 billion in 2023, achieving a CAGR of 9.1% for the aforementioned period. According to the Frost & Sullivan, the top five gold jewellery brands in the PRC constituted 45.0% of the total market in 2023 when measured by gold jewellery revenue, while the top five gold jewellery brands in the PRC constituted 36.3% of the total market when measured by gold processing volume in 2023.

According to Frost & Sullivan, most gold jewellery products offered by the top gold jewellery brands in the PRC are 999 and 990 and below purity. With the maturity of gold jewellery manufacturing technology, a few enterprises, such as us, have developed high-purity level gold jewellery processing techniques, and the purity level of its gold jewellery can reach 999.9 and above. With consumers' increasing enthusiasm for the investment of gold, high-purity gold jewellery is no longer merely for meeting consumers' aesthetic needs but also has inherit investment value. As an OBM possessing an established gold jewellery brand with high popularity, wide national sales network layout and diversified product portfolio with innovative design, we believe that our business model enables us to maintain competitive in the gold jewellery market.

According to Frost & Sullivan, the concentration rate of franchisees in the gold jewellery market is low, with over tens of thousands of players in the industry. Most of the gold jewellery franchisees are small and medium-sized companies or individually-owned businesses, concentrated in provinces such as Guangdong, Shandong, Jiangsu, Fujian, and Zhejiang.

SEASONALITY

Our sales are festive in nature and past experience indicates that this seasonality will continue in the future. The peak seasons include the PRC National Day holiday, the period from Chinese New Year till Valentine's Day, and the period during our 'One RMB Exchange' promotion which is typically between June and September. For details, see "Risk Factor — Risks relating to our Business and Industry — Our sales may be affected by seasonality".

Accordingly, results of any interim period are not necessarily indicative of results that might be expected during a full year.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We regularly review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency. During the Track Record Period, we have gold price exposure management to manage fluctuations of raw material price. See "— Our Procurement/ Suppliers — (b) Gold price exposure management to manage fluctuations of raw material price" above for further details. However, we do not treat such arrangements as hedging arrangements since (i) we do not have formal designation and documentation of the hedging relationship, risk management objective and strategy for undertaking the hedge; and (ii) the arrangements do not meet all of the hedge effectiveness requirements under HKFRS 9. As such, we have not had any hedging arrangements in relation to risk management.

Without prejudice to the responsibilities of our Board of Directors as a whole, our Audit Committee provide independent advice on the effectiveness of our financial reporting, risk management and internal control systems. See "Directors, Supervisors and Senior Management" for further details of the qualification and experience of the members of our Audit Committee.

Internal control on financial reporting

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as payment policy. Our accounting department reviews our management accounts based on such policies.

Internal control on technology system and data privacy

We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. We place great importance on users' personal data and we continually evaluate the effectiveness of our data security and privacy protection procedures, monitor our compliance status in accordance with the recent changes in applicable regulatory requirements and regularly update our privacy policy and internal procedures to better protect our users' privacy and interests.

Internal control on trademark, patent and intellectual property rights

Our well-established brand recognition in the PRC may attract industry peers or others to produce counterfeit products without our authorization or using similar trademarks. Counterfeiting and imitation may divert our potential customers from our own products. More importantly, counterfeiting or substandard products could significantly harm our reputation and brand image. See "Risk Factors — Risks Relating to Our Business and Industry — Our business could be materially adversely affected if we cannot protect our trade name and other intellectual property rights or if we face any negative publicity" for more details.

We endeavor to combat counterfeit products to protect our brand integrity. As of the Latest Practicable Date, we registered 678 trademarks and 601 patents in the PRC and have 33 trademarks registered outside the PRC. For details, see "Appendix VII — Statutory and General Information — B. Further Information about our Business — 2. Our Intellectual Property Rights". Our franchise stores are contractually required to preserve our reputation and brand integrity, and selling counterfeit products is strictly prohibited. We encourage consumers to report unauthorized uses of our brands or counterfeit products to us. Furthermore, we have dedicated a team to monitoring and handling counterfeiting issues. In the event we identify any counterfeit products, we may initiate legal actions and take other responsive measures based on the advice of intellectual property consultants and legal counsel.

Internal control on human resources

We have established internal control policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We adopt strict procedures with regard to recruitment to ensure the quality of new hires. We provide specialized training tailored to the needs of our employees in different departments and compliance policies.

Our employee handbook contains guidelines containing internal rules and guidelines regarding work ethics and prevention of fraud, negligence and corruption. We explain to employees the guidelines contained in the employee handbook during orientation. We have also made available an anonymous reporting channel through which potential violations of our internal policies or illegal acts at all levels can be timely reported to management and appropriate measures can be taken to minimize damage.

Third-party Settlement Arrangement

Background

Historically, as requested by certain franchisees (the "**Relevant Counterparty(ies)**"), we settled transactions with these Relevant Counterparties through the accounts of third parties designated by them (the "**Third-party Settlement Arrangement**"). On November 14, 2023, we issued notices and informed the Relevant Counterparties of our intention to cease the Third-party Settlement Arrangement with effect from January 1, 2024. For the years ended December 31, 2021 and 2022 and 2023, the number of Relevant Counterparties was 573, 669 and 554, respectively, and the number of the third-party payors was 741, 723 and 644, respectively. Out of the 554 Relevant Counterparties who adopted Third-party Settlement Arrangement during the year ended December 31, 2023, 531, or 95.8%, of them remained as our franchisees as of the Latest Practicable Date. Most of the Relevant Counterparties are our recurring customers and the average duration of our business relationship with them is approximately six to eight years. During the Track Record Period, the Relevant Counterparties often had more than one third-party payors settle payments on their behalf due to their commercial needs and convenience. For instance, franchisees may have different shareholders/family member/personnel attending sales events at our self-operated direct service centers/sales exhibition hall, and pay with the relevant shareholder's/family member's/personnel's account, which may result in different third party payors in such payments. For details, see "— Reasons for Utilizing Third-party Settlement Arrangement." Among the Relevant Counterparties, one had a shareholder who was our former employee ("**Counterparty A**") and Counterparty A's Third-party Settlement Arrangements were primarily made through its shareholder during the Track Record Period. In addition, another Relevant Counterparty had a shareholder who was a family member of our former employee ("**Counterparty B**") and Counterparty B's Third-party Settlement Arrangements were primarily made through its shareholders and family members.

Our Directors have confirmed that after due enquiry and to their best knowledge, except for Counterparty A and Counterparty B, none of the Relevant Counterparties, their respective third-party payors, or any shareholders, directors, or senior management of the aforementioned Relevant Counterparties and third-party payors during the Track Record Period have had any other past or present relationships with us, our subsidiaries, Shareholders, Directors, Senior Management, or any of our respective associates.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of payment from third-party payors to us was RMB965.0 million, RMB1,211.4 million and RMB1,546.0 million, respectively, representing approximately 5.7%, 7.7% and 7.7% of the total revenue, respectively. The increase in the aggregate amount of payments from third-party payors for the years ended December 31, 2021, 2022 and 2023 was primarily attributable to the increase of transaction amount with Relevant Counterparties. None of the Relevant Counterparty had made material contribution to our revenue during the Track Record Period. As we ceased Third-party Settlement Arrangement since January 1, 2024, we have not received any payments from third-party payors for the six months ended June 30, 2024. All settlements since January 1, 2024 have been made by the relevant franchisees. Our Directors further confirm that going forward, we will not accept Third-party Settlement Arrangement and any other payments from third-party payors.

The table below sets forth our revenue attributable to the Relevant Counterparties, and the percentage of our sales to them settled through third party payors, for the years ended December 31, 2021, 2022 and 2023:

	Year ended December 31,		
	2021	**2022**	**2023**
Our revenue attributable to the Relevant Counterparties (RMB million)	5,836.9	5,564.4	6,044.5
Percentage of our total revenue (%)	34.6	35.4	29.9
Payment received from third-party payors (RMB million)	965.0	1,211.4	1,546.0
Average percentage of our sales to Relevant Counterparties settled through third-party payors (%)*(Note)*	16.5	21.8	25.6

Note: By dividing the total payment received from third-party payors by the total revenue attributable to Relevant Counterparties during the respective year/period of the Track Record Period.

The following table sets out the revenue attributable to Relevant Counterparties by band of the percentage of our sales to Relevant Counterparties that were settled through third party payors for the years ended December 31, 2021, 2022 and 2023.

	Year ended December 31,								
	2021			**2022**			**2023**		
Revenue settled by third-party payors	**Relevant Counterparties**	**Revenue from Relevant Counterparties**		**Relevant Counterparties**	**Revenue from Relevant Counterparties**		**Relevant Counterparties**	**Revenue from Relevant Counterparties**	
	Number	*RMB million*	*%*	*Number*	*RMB million*	*%*	*Number*	*RMB million*	*%*
Below 5%	81	3,123.0	53.5	174	2,358.8	42.4	101	2,391.3	39.6
5%–50%	225	1,967.7	33.7	252	2,419.4	43.5	186	2,166.4	35.8
Over 50%	267	746.2	12.8	243	786.2	14.1	267	1,486.8	24.6
Total	**573**	**5,836.9**	**100**	**669**	**5,564.4**	**100**	**554**	**6,044.5**	**100**

For the years ended December 31, 2021, 2022 and 2023, the third-party payors designated by the Relevant Counterparties primarily consisted of their (i) shareholders or ultimate beneficiaries, (ii) individual franchisees' family members, and (iii) employees.

The table below sets forth a breakdown of the payments received from third-party payors by the types of relationships with the Relevant Counterparties for the years ended December 31, 2021, 2022 and 2023:

	Year ended December 31,		
	2021	2022	2023
	(RMB million)	(RMB million)	(RMB million)
Shareholders or ultimate beneficiaries	12.9	121.4	11.8
Individual Franchisees' Family Members	915.6	1,077.7	1,492.9
Employees and others	36.5	12.3	41.3
Total	965.0	1,211.4	1,546.0

All Relevant Counterparties have provided to us designation letters (the "**Designation Letter(s)**") signed with their respective third-party payors on a case-by-case basis subject to prior written approval from us. Such Designation Letter specifies, among others, the relationship between the Relevant Counterparties and their respective third-party payors and payment account information.

During the Track Record Period, (i) we had not proactively initiated any Third-party Settlement Arrangement or participated in other forms in any of such arrangement; (ii) we had not provided any discount, commission, rebate or other benefit to any of the Relevant Counterparties to facilitate or incentivize the Third-party Settlement Arrangement; and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Counterparties were generally in line with those of customers not involved in the Third-party Settlement Arrangement.

Potential impact of the Cessation of Third-party Settlement Arrangement

Taking into account that (i) none of the Relevant Counterparties accounted for a significant portion of our revenue during the Track Record Period, and (ii) despite our Group informing the Relevant Counterparties of the intention to cease Third-party Settlement Arrangement, none of them had indicated their intention to terminate their business relationships with our Group, as of the Latest Practicable Date, our Directors are of the view that the cessation of Third-party Settlement Arrangement will not have a material impact on the operation of our Group and we do not expect the cessation of Third-party Settlement Arrangement will result in loss of major customers.

On November 14, 2023, we issued notices and informed the Relevant Counterparties of our intention to cease the Third-party Settlement Arrangement from January 1, 2024 onwards. All Third-party Settlement Arrangements have been ceased since January 1, 2024 and all settlements thereafter have been made by the relevant franchisees. In addition, there has been no major change in the relationship or terms with franchisees following the cessation of the Third-party Settlement

Arrangement. As of June 30, 2024, 95.4% of the amount due from parties that previously applied Third-party Settlement Arrangement with us as of December 31, 2023 has been paid by the relevant franchisees. As advised by our PRC Legal Advisor, the Third-party Settlement Arrangement is not in breach of restrictive regulations of PRC laws and regulations in force.

Reasons for Utilizing Third-party Settlement Arrangement

The use of the Third-party Settlement Arrangement was mainly aimed at addressing requests during ordinary course of business for convenience. Many Relevant Counterparties are small-sized private business in the form of sole proprietorship or small and medium-sized enterprises. According to Frost & Sullivan, it is reasonable for smaller-scale franchisees in the PRC gold jewellery industry do not possess a comprehensive settlement system. Such franchisees would then utilize any payment methods that are readily accessible to them for trade settlement purpose, including using personal, spousal or family members' bank accounts for settlement in their business transactions. As confirmed by Frost & Sullivan, it is a common practice for entities (e.g., small-sized customers) or individual traders in the PRC to settle payments through third-party payors in the gold jewellery industry for convenience when purchasing products. For small-sized customers and individual traders, Third-Party Settlement Arrangement enables them to complete payments in a timely manner, which is conducive to the transaction efficiency. These third-party payors usually include, but not limited to, the legal representative of the franchisee company, the spouse or relative of the franchisee, and the manager of stores owned by the franchisee.

Implications Relating to Third-party Settlement Arrangement

The Third-party Settlement Arrangement has been recorded completely and accurately in our accounting books and records in all material respects and we have certain measures to manage this arrangement as following:

(i) *Prevention of fraud or money laundering:* to prevent fraud or money laundering activities, our Group implemented several know-your-customer procedures to have a comprehensive understanding of Relevant Counterparties. Further, we also conducted periodic business meetings with Relevant Counterparties to understand the nature of their business. Based on above, our Directors are not aware of the customers involving in fraud or anti-money laundering, nor would our Directors have reason to believe that the relevant settlement involves proceeds or gains from fraud or anti-money laundering.

(ii) *Genuine underlying transactions:* in order to ensure the Third-party Settlement Arrangement are supported by genuine transactions, for payments received from the Relevant Counterparties and their respective third-party payors, the Relevant Counterparties are required to submit the payors' accounts and payment information to our Group upon signing franchise agreements. They are also required to submit a Designation Letter before making payment through third-party payors' accounts.

As advised by our PRC Legal Advisor, (1) the Third-party Settlement Arrangement is merely an assignment of liability from Relevant Counterparties to their respective third-party payors pursuant to the Civil Code of the PRC (中華人民共和國民法典) and the Designation Letters, once coming into effect, constitute valid and binding obligations on each of the signing parties involved; (2) the Third-party Settlement Arrangement is not in breach of restrictive regulations of applicable laws or regulations in the PRC; (3) the risks are remote for our Group to be found obligated to return funds to the Relevant Counterparties or their respective third-party payors, and/or their respective creditors under the Third-party Settlement Arrangement; and (4) taking into consideration the cessation of the Third-party Settlement Arrangement as mentioned above, the risk of us being subject to administrative penalties in violation of laws and regulations related to tax evasion under the Third-party Settlement Arrangement is low.

Based on the foregoing, our Directors confirm that, (i) during the Track Record Period, the relevant payments were based on bona fide underlying transactions and valid contracts, and (ii) the risk of committing crimes, such as fraud, money laundering crime or commercial bribery is remote. Our Directors consider that the use of the Third-party Settlement Arrangement did not have any material adverse impact on our Group.

Enhanced Internal Control Measures

Transactions involving the Third-party Settlement Arrangement may negatively affect the integrity of our financial information and our normal business operations. Furthermore, misconducts involved during the settlement, such as embezzlement, fraud or other illegal activities, may significantly harm our reputation and brand image. For further information, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party settlement arrangements." Since 2018, we have implemented know-your-customer procedures to prevent fraud and money laundering activities. On top of the know-your-customer procedures, when dealing with Third-party Settlement Arrangement, we sought gaining a better understanding of the Relevant Counterparties through the following measures:

(i) Engaging in discussions with Relevant Counterparties regarding their background (such as identification card, banking account, etc) and their operational plans for the franchise store. Through such interactions, we aim to confirm the commercial legitimacy of the Relevant Counterparty and assess the veracity of the need for a designated third-party payor; and

(ii) We require the Relevant Counterparties to submit the necessary documents to prove the relationship between the third-party payor and themselves (including copies of marriage certificate, household registers and employment records, as applicable), and we do not approve of third-party payment arrangements unless there is satisfactory written proof of the genuineness of the relationship between the third-party payor and the Relevant Counterparty.

During the Track Record Period, we adopted enhanced internal control measures to safeguard our interest against risks associated with the Third-party Settlement Arrangement, including but not limited to the following:

(i) in our franchise agreements with customers, we request Relevant Counterparties to have their business account information consistent with their business licenses when making payments;

(ii) our Group will closely monitor any change of payment account information to identify any Third-party Settlement Arrangement;

(iii) for Relevant Counterparties who are unable to directly settle payments with our Group immediately, they will be required to, (a) communicate relevant information to our Group, including, among others, the identity of their respective third-party payors; and (b) provide our Group with a Designation Letter. In the Designation Letter, it is specified that the Relevant Counterparties delegate their payment obligation or grant rights for payments from Company under the terms of the original agreement with our Group to their respective third-party payors, which undertake to pay the transaction amount directly to or from our Group under the same terms. It is further specified that, (i) our Group shall settle with the respective third-party payors as if it were settled with the Relevant Counterparties, (ii) the Third-party Settlement Arrangement shall not discharge the payment obligation of the Relevant Counterparties, and (iii) our Group may demand payment from, and pursue legal action against, the Relevant Counterparties if the respective third-party payor fails to pay accordingly;

(iv) before accepting any Third-party Settlement Arrangement, information of the third-party payor such as identity cards and relationship proofs shall be provided by the Relevant Counterparties and our Group will verify the information against the record in our system to ensure that it was settled through the relevant third-party payors' account as provided by the Relevant Counterparties;

(v) our employees are required to reject and/or return all payments made by third-party payors that failed to satisfy the above-mentioned requirements;

(vi) our employees are required to notify the above policies and measures to all the Relevant Counterparties and not to make payment to our Group on behalf of any of the Relevant Counterparties; and

(vii) we manage our Group's bank accounts as well as our Group's other accounts used for transactions, in accordance with the principle of segregation of duties. Different personnels of our finance department are assigned with different duties to verify, record, manage and settle transactions through such accounts, to ensure the accuracy of our accounting records, reduce the risks of account misuse and avoid account security risks.

Our Directors are responsible for overseeing the implementation of our internal control measures formulated by the finance department. Based on the follow-up review on the implementation of measures, our internal control consultant did not identify any material defects with regard to our Third-party Settlement Arrangement related process and policies and our Directors are of the view that the above measures are effective and adequate in preventing unauthorized Third-party Settlement Arrangement and its associated risks without any material weaknesses identified and necessary rectifications needed, and our Directors will oversee the effectiveness of the aforementioned enhanced internal controls on the Third-party Settlement Arrangement in the future.

Since we have implemented comprehensive control measures to govern Third-party Settlement Arrangement, we will cease Third-party Settlement Arrangement prior to [REDACTED] and the related transaction amounts were not material to our business during the Track Record Period, our Directors are of the view that the risks, including money laundering risks relating to Third-party Settlement Arrangement is immaterial.

QUALITY CONTROL

We are committed to maintaining the highest level of quality in our products and have attained accreditations including ISO9001 quality management, GB/T29490-2013 enterprise intellectual property management system, China Metrology Accreditation and CNAS (China National Accreditation Service for Conformity Assessment) laboratory accreditation for our testing center. We have designed and implemented a quality management system that provides the framework for continuous improvement of products and processes. We have also implemented a management review control process to conduct regular systematic reviews of our quality management system, in order to closely monitor the implementation of our quality management system.

Our business model benefits our quality control. We have established trusted sourcing channels to source for high quality gold, established our in-house testing center and developed key production capacities that are essential to producing quality gold jewellery products, while ensuring quality along the value chain.

Supply Chain Management

We have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we procured from Shanghai Gold Exchange and other suppliers.

Our quality control department is responsible for communicating with suppliers regarding quality standards and will thoroughly test and inspect product samples to ensure that they meet all the requirements such as gold purity level.

Testing along production

We bring testing equipment onto the production line for gold jewellery product manufacturing. We have established a gold testing center equipped with advanced testing equipment such as ICP (Inductively Coupled Plasma) emission spectrometry, ICP-MS (Inductively Coupled Plasma Mass Spectrometry), and spark direct-reading devices. In 2013, we obtained CNAS (China National

Accreditation Service for Conformity Assessment) laboratory accreditation for our testing center. Our testing center is located inside our production complex in Changle County, Weifang City, Shandong Province, the PRC, allowing us to conduct quality control tests on raw material, work-in-progress inventories, and finished goods conveniently. Based on the testing results, our production lines can be adjusted without any delay to increase production yield rate and minimize wastage.

Advanced production equipment

Our strengths on machinery R&D allows us to tailor-make and calibrate our production machinery and equipment to high precise level. Over the years, we have introduced and/or revamped imported advanced equipment that include robotic arms for accessories flipping (首飾抓取自動翻轉機械手), automated carving machines (自動刻花機), automatic butterfly chain punching machines (自動蝴蝶鏈機), chain loosening machines (鬆鏈機), and automatic thin wall gold tube necking machine (薄壁金管自動縮口機), which are crucial to our gold jewellery production. These machinery enables us to mass-produce gold jewellery at high quality level.

Product Returns and Recalls

For franchisees, we generally do not allow returns of gold products sold to franchisees, except when they cease to be our franchisees. For provincial-dealers, given our business model, provincial-dealers generally do not hold gold products as their inventory and may only maintain an insignificant level of other products. We offer franchisees and provincial-dealers a right to exchange unsold diamond inlaying jewellery a period of five years. For details, see Note 5 "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and Note 34 "Refund Liabilities" in Appendix I to this document. As advised by our PRC Legal Advisor, as the OBM of our gold jewellery products, we bear the responsibility for ensuring their quality and safety. In the event of any product failures or issues that may pose risks to customers or consumers, we take full accountability for addressing and resolving the situation. According to Frost & Sullivan, our product return policy is in line with industry practice.

Apart from product returns, in special circumstances such as promotional benefits for newly joined franchisees and franchisees requesting to exchange previously purchased products of our brand for same grade and same type of new gold products, we allow gold product exchange. During the Track Record Period, within the franchise network, the volume of product exchange of gold jewellery and other gold products for each year/period were 993 kg, 1,017 kg, 1,094 kg and 492 kg, respectively, which represented an immaterial amount (2.3%, 2.5%, 2.4% and 2.8% of the sales of gold jewellery and other gold products for the same periods, respectively) compared with our sales of gold jewellery and other gold products within the franchise network, of 42,267 kg, 40,923 kg, 45,423 kg and 17,418 kg for the same period, respectively.

The following table sets out our product return and product exchange, excluding the exchanges previously purchased gold products during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Due to product exchange policy for diamond inlaying jewellery(Note 1)	70,607	58,173	50,143	10,132
Due to closure of franchise stores	8,935	4,083	8,530	4,096
Product returns due to other reasons(Note 2)	1,618	30	1,850	91
Total	81,160	62,286	60,523	14,319

Notes:

1. The amount sold and exchanged due to product exchange policy in the same (current) year (e.g., sold in 2021 and exchanged also in 2021) is also included.

2. Other types of product returns represent product return on a case-by-case basis, including cases where provincial-dealers and franchisees were materially impacted by the pandemic and in consideration of our established business relationship, we exercised our discretion to accept certain product returns on their previous purchases.

The estimated percentages of diamond inlaying jewellery exchange in relation to the five year diamond inlaying jewellery exchange period of diamond inlaying jewellery for the years during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	(%)	(%)	(%)	(%)
Estimated exchange percentage for the first year	8.1	7.5	7.2	6.6
Estimated exchange percentage for the second year	5.1	4.9	4.7	4.2
Estimated exchange percentage for the third year	3.0	3.0	3.1	2.8
Estimated exchange percentage for the fourth year	2.2	2.2	2.3	2.1
Estimated exchange percentage for the fifth year	1.9	1.6	1.6	1.4

Under our standard contract terms, except for store closures, franchisees and provincial-dealers have no right to return any goods after their acceptance of the products, but retain the option to exchange unsold diamond inlaying jewellery within five years. We estimate the percentage of exchange at a portfolio level using the expected value method with reference to historical data. The average exchange rate for forecasted future exchanges during the Track Record Period has shown a decreasing trend over time, correlating with the lengthening sales period for diamond inlaying jewellery. The average exchange rate has remained stable from period to period with no significant unusual fluctuations.

The estimated and actual amount of products exchanged by provincial-dealers and franchisees for each of the years during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Estimated exchange amount at December 31 of the previous year	49,574	50,995	41,448	16,472
Actual exchange amount	52,136	40,261	35,920	7,486

The estimated exchanges amount for each year during the Track Record Period were RMB49.6 million, RMB51.0 million, RMB41.4 million and RMB16.5 million, respectively, while the actual exchange amount were RMB52.1 million, RMB40.3 million, RMB35.9 million and RMB7.5 million, respectively. The actual exchange percentage of diamond inlaying jewellery was relatively high prior to 2020, leading to cautious accounting estimates by our management at the end of 2019. From 2020 onwards, the actual exchange percentage of diamond inlaying jewellery gradually stabilizes, resulting in a high difference between the estimated amount of exchange and the actual amount of exchange for 2020 only. As the revenue from diamond inlaying jewellery accounted for only approximately 1% of our total revenue, the impact of the exchange of diamond inlaying jewellery on the total revenue was small, and we had reasonably measured the exchange data and recognized the right to returned goods asset and refund liabilities based on the historical data during the Track Record Period, and therefore the difference in the estimated amount of the exchange of diamond inlaying jewellery would not have a material impact on our financial position and results.

Should a product recall be necessary due to defects or safety concerns, we are committed to executing the recall process promptly and efficiently. We communicate openly and transparently with customers and consumers, providing clear instructions and support throughout the recall process. We believe this will effectively prevent non-conforming products from being used or delivered. Regarding customer complaints received during our daily business operation in relation to product or service quality, our customer service officer will gather customer's requests and put forward handling proposals to our brand management centre. Upon receiving the complaint details, we aim to revert to the relevant customers within one day for settlement. For cases requiring additional resources or involving risk of triggering public relations issues, the complaints will be escalated and handled by our designated crisis management team to formulate action plan to reach amicable solution with the customer. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product recall and we also had not received any material complaints.

MAJOR QUALIFICATIONS AND LICENSES

Our Group has obtained all requisite business registration certificates, permits and licences in accordance with all relevant laws and regulations in the jurisdictions where our Group has operations. For further detail's, see "Regulatory Overview" of this document.

Details of our major license, permits and registrations are set our below:

License/Permit	Licence Holder	Issuing authority	Valid period
Registration as a Commercial Franchisor (商業特許經營特許人備案)	Shandong Mokingran	MOFCOM	Registered on August 27, 2015
Customs import and export goods consignee and consignor filing receipt (海關進出口貨物收發貨人備案回執)	Company	Customs of the People's Republic of China	No expiry date
Customs import and export goods consignee and consignor filing receipt (海關進出口貨物收發貨人備案回執)	Shandong Yifu	Customs of the People's Republic of China	No expiry date
Registration Certificate of Customs Declaration Unit of the People's Republic of China (中華人民共和國海關報關單位註冊登記證書)	Shanghai Yuanjunmeng	Customs of Shanghai of the People's Republic of China	No expiry date

As of the Latest Practicable Date, we had obtained all licences and certificates as required by the relevant government authorities and all such licences and certificates were in full force and effect. We did not experience any material difficulties in renewing the licences and certificates necessary for our business operations during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulties in renewing such licences and certificates when they expire.

INTELLECTUAL PROPERTY

We recognize the importance of to our business and are committed to the development and protection of our intellectual property rights. We actively seek patent protection for our products and have developed a significant portfolio of intellectual property rights to protect our technologies and products. As of the Latest Practicable Date, we registered 678 trademarks and 601 patents in the PRC and have 33 trademarks registered outside the PRC, the content of which covers gold jewellery processing technologies, automatic production equipment for jewellery components and parts and etc. For details, see "Appendix VII — Statutory and General Information — B. Further Information about our Business — 2. Our Intellectual Property Rights".

As of the Latest Practicable Date, we owned the following registered patents which we consider to be material to our business:

No.	Product/Technology	Nature	Place of Registration	Patent Number	Registered Owner	Expiry Date
1	Purity level 999.999 precious metal jewellery processing equipment and methods ("純度為999.999‰貴金屬飾品加工設備及方法")	Invention	PRC	201611067618.5	Shandong Mokingran	November 23, 2036
2	Automatic pricing method and automatic pricing system for gold jewellery ("金飾自動計價方法及自動計價系統")	Invention	PRC	201810892474.X	Shandong Mokingran and the Company	August 6, 2038
3	A gold jewellery welding method ("一種黃金飾品焊接方法")	Invention	PRC	200810139385.4	Shandong Mokingran	August 28, 2028

As of the Latest Practicable Date, we have not registered the trademark of "萬純金" and none of the intellectual property which we own would expire in the next 12 months. Further, as of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent, and none of our employees breached the confidentiality obligations under their employment contracts in a material respect.

Trademark disputes with Cartier

During the Track Record Period, we were involved in lawsuits with Cartier International AG ("**Cartier**"). In December 2018, Cartier initiated legal proceedings against our Company, Shandong Mokingran and its franchisees for trademark infringement and improper competition regarding franchisees' sales of products adopting same or similar marking and design of Cartier's jewellery product series. Upon parties' appeal, the Tianjin High People's Court handed down its final judgment in April 2022, pursuant to which the court ruled that, among others, (i) the sales of jewellery with same mark as Cartier's trademark series by the franchisees of Shandong Mokingran constituted trademark infringement and improper competition; (ii) there were insufficient evidence to support Cartier's claim that the infringing products sold by the franchisees were manufactured by and sold from our Company or Shandong Mokingran; (iii) our Company and Shandong Mokingran should bear joint responsibility for the infringing behaviour of the four franchisees, including joint payment liability of a total amount of RMB180,000 (the "**Franchisees Sum**") payable by the franchisees to Cartier, because our Company and Shandong Mokingran failed to perform its monitoring obligation over the franchisees; and (iv) our Company and Shandong Mokingran were liable to pay a total amount of RMB250,000 (the "**Settlement Sum**") to Cartier for the economic losses suffered by and reasonable expenses incurred by Cartier. We fully settled the Settlement Sum and did not pay nor indemnify the franchisees for Franchisees Sum, which was not included in the Settlement Sum.

Following the conviction of those franchisees by the court, we imposed various penalties against each of the four franchisees. As at the Latest Practicable Date, we (i) received RMB82,000 from and terminated cooperation with the first franchisee; (ii) received RMB104,112 from the second franchisee; (iii) reached agreement with the third franchisee to pay us RMB62,476 and received partial payment of RMB10,000; and (iv) commenced legal actions to seek compensation in an amount of RMB150,000 from the fourth franchisee. We did not seek indemnification of the Settlement Sum from them considering the immaterial amount involved and the potential time and resources that would need to be devoted to seeking indemnification.

After this incident, we adopted the following internal control measures to enhance our prevention against similar incidents and supervision over franchisees' business operation, (i) we prepared a detailed guideline to remind and request all franchisees to refrain from infringing other parties' intellectual property rights, portrait rights and name rights, and explicitly prohibited the unauthorized printing and sticking the Group's marking and logo on the products. In addition to signing franchisees' contracts with us, all franchisees are required to separately read, accept, sign and strictly implement such guideline and bear legal responsibilities should there be any breach thereof; (ii) we instructed our external legal adviser to review and update the franchisee contract and incorporate provisions on enhanced protection of intellectual property rights; and (iii) our designated market inspection team has enhanced effort to perform inspection over the franchisees' stores by specifically focusing on whether franchisees infringe on the intellectual property right of third-party products during their inspection.

Considering that (i) the Settlement Sum was immaterial and had been fully settled; (ii) we have since adopted enhanced internal control measures; and (iii) we had never manufactured nor sold the infringing products, did not record revenue in relation to the infringing products and will not do so in the future, our Directors are of the view, and the Sole Sponsor concurs that, the Cartier dispute did not have any material adverse impact on our Group's operations and financial performance.

LAND AND PROPERTIES

Our primary production facility for our gold jewellery products is located in Changle County, Weifang City, Shandong Province, the PRC.

Photo: Our production facility in Changle county, Weifang, Shandong Province, the PRC

Our headquarters is located in Tianjin in the PRC.

Photo: Our headquarters in Tianjin

Owned land and properties

As of the Latest Practicable Date, we owned six parcels of land, with an aggregate area of approximately 178,173.5 sq.m., and 34 buildings or units, with an aggregate building floor area of approximately 144,938.7 sq.m. in the PRC. Save for the properties as set out in the Property Valuation Report in Appendix III to this document, all of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our Directors confirm that no single property interest that formed part of our Group's non-property activities had a carrying amount of 15% or more of our consolidated total assets as of June 30, 2024.

The following table sets forth the material properties owned by our Group with building floor area more than 1,000 sq.m. in the PRC:

No	Owner	Location	Building floor area (m^2)	Usage	Mortgage status
1	Company	No. 15 Ziyuan Road, Huayuan Industrial Zone, Binhai High-tech Zone	17,555.4	Non-residential	Yes
2	Company	No. 12, Rongyuan Road, Huayuan Industrial Zone, Binhai High-tech Zone	7,555.4	Non-residential	Yes
3	Changle Chengxin	Building 15, No. 1388, Baoshicheng 2nd Road, Changle County	2,879.6	Industrial	Yes
4	Changle Chengxin	Building 5, No. 1388, Baoshicheng 2nd Road, Changle County	1,625.4	Industrial	Yes
5	Changle Chengxin	Building 4, No. 1388, Baoshicheng 2nd Road, Changle County	1,625.4	Industrial	Yes
6	Changle Chengxin	Building 18, No. 1388, Baoshicheng 2nd Road, Changle County	2,620.8	Industrial	Yes
7	Changle Chengxin	Building 37, No. 1388, Baoshicheng 2nd Road, Changle County	1,222.7	Industrial	Yes
8	Changle Chengxin	Building 30, No. 1388, Baoshicheng 2nd Road, Changle County	2,285.0	Industrial	Yes
9	Changle Chengxin	Building 35, No. 1388, Baoshicheng 2nd Road, Changle County	4,192.1	Industrial	Yes
10	Changle Chengxin	Building 29, No. 1388, Baoshicheng 2nd Road, Changle County	7,071.8	Industrial	Yes
11	Changle Chengxin	Building 1, No. 1388, Baoshicheng 2nd Road, Changle County	2,158.2	Industrial	Yes
12	Changle Chengxin	Building 17, No. 1388, Baoshicheng 2nd Road, Changle County	3,057.6	Industrial	Yes

No	Owner	Location	Building floor area (m^2)	Usage	Mortgage status
13	Changle Chengxin	Building 16, No. 1388, Baoshicheng 2nd Road, Changle County	1,099.3	Industrial	Yes
14	Changle Chengxin	Workshop 32, No. 1388, Baoshicheng 2nd Road, Changle County	1,026.9	Industrial	Yes
15	Shandong Yifu	Building 1, No. 1998, Beisanli Street, Changle County	73,678.5	Industrial	Yes
16	Shandong Yifu	Building 2, No. 1998, Beisanli Street, Changle County	8,849.6	Industrial	Yes

Leased properties

As of the Latest Practicable Date, we leased approximately 28 properties for business operation with total floor area of approximately 10,359.5 sq.m. in the PRC. The following table sets forth the material properties leased by our Group for business operation with total floor area of more than 1,000 sq.m. in the PRC:

No	Lessee	Lessor	Location	Lease registration status	Usage	Area (sq. m)	Term
1	Shenzhen Mokingran	An independent third party	Floor 7, Shuibei Ginza Building, No. 97 Beili North Road, Luohu District, Shenzhen	Registered	Commerce	1,298.0	2024.09.01–2027.05.20
2	Shenzhen E-commerce	An independent third party	Room 601, 5th Floor, Building B27, Zhonghe Shengshi, No. 1, Juying 3rd Street, Liuyue Community, Henggang Street, Longgang District, Shenzhen, Guangdong, China	Nil *(Note 1)*	Commerce	3,183.9	2020.11.15–2025.11.14

Note:

1. The property has no ownership certificate due to historical reasons and therefore the lease cannot be registered. Our Group has obtained a confirmation issued by the landlord which confirms that the lease agreement entered into between the lessor and lessee are duly recognized, and that there is no disputes or potential disputes in the leasing of the property in concern.

In addition, as of the Latest Practicable Date, our Group also leased 23 residential properties which were used as staff dormitories with total floor area of 2,735.4 sq.m. As of the Latest Practicable Date, we have renewed all of these lease agreements with the lessors.

Leased properties with no property ownership certificate or the lessor of which is unable to produce property ownership certificate

As of the Latest Practicable Date, of the leased properties used for business operation, (i) nine of the leased properties with a total floor area of 5,769.1 sq.m. did not have any property ownership certificate; and (ii) the lessors of six of the leased properties with a floor area of 848.7 sq.m. were unable to provide us with property ownership certificates. Further, of the leased properties which are used as staff dormitories, seven of such leased properties with a total floor area of 1,160.4 sq.m. either had no property ownership certificate or the lessors of which were unable to produce the relevant property ownership certificates.

As advised by our PRC Legal Advisor, such leased properties that either have no property ownership certificate or the lessor of which is unable to produce property ownership certificate does not have a material adverse impact on our business and operation results for the following reasons:

(i) the aforementioned properties were either used as staff dormitories or for non-production purposes. As confirmed by our Directors, if the leased properties cannot be continued to be leased to us due to defects in the rights of the leased properties, we can promptly find alternative premises and this will not affect the normal operations of our Group;

(ii) such properties, which has a total floor area of 7,778.2 sq.m., accounted for a small area of the total floor area used by the Group (being just 5.0% of the total floor area used by our Group) as of the Latest Practicable Date.

In the event that our Group is required to relocate such leased properties that either have no property ownership certificate or the lessor of which was unable to provide property ownership certificate during the lease term due to defects in the ownership of the leased properties, the total costs are expected to be approximately RMB6.6 million, considering the potential labour, construction renovation and other related expenses to be incurred for relocation. Pursuant to the undertaking from our Controlling Shareholders, such relocation costs, if incurred, will be fully indemnified by our Controlling Shareholders.

Leased properties yet to complete registration and filing procedures

As of the Latest Practicable Date, of the leased properties used for business operation, 27 of the aforementioned leased properties with a floor area of 10,117.5 sq.m. were yet to complete registration and filing procedures. Further, as of the Latest Practicable Date, of the leased properties used as staff dormitories, 17 of the leased properties with a total floor area of 2,338.6 sq.m. were yet to complete registration and filing procedures.

As advised by our PRC Legal Advisor, the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. Accordingly, our Directors are of the view that the failure to register these lease agreements does not have a material adverse impact on our business and operation results.

In addition to the above, our Controlling Shareholders have undertaken to indemnify our Group for any losses caused by the defects in the ownership of the aforementioned properties. Based on the above, the Directors are of the view that the subject leased properties are not crucial to the operations of our Group. As of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

EMPLOYEES

As of December 31, 2021, 2022 and 2023, June 30, 2024 and the Latest Practicable Date, we had in total 1,751, 1,915, 2,103, 1,997 and 1,874 full-time employees respectively. Most of our employees are stationed in our production facilities in Changle County, Weifang City, Shandong Province, the PRC. The table below sets forth the number of our employees by functions as of the Latest Practicable Date:

	As of the Latest Practicable Date	
Functions	**Number of employees**	**Percentage of total number of employees**
		(%)
Management	328	17.5
Sales and Marketing	708	37.8
Research and development	106	5.7
Production	732	39.1
Total	**1,874**	**100.00**

We have invested substantial efforts and resources in recruiting and training our employees. In addition to our recruitment process and internal referrals, we also recruit talent through specialised recruiting firms and other third parties.

We offer vocational training to our newly hired employees serving in the production function to equip them with adequate knowledge and skills in respect of gold jewellery crafting before formally engaging them in our daily production. The training will usually last for three to six months depending on the skillsets required for respective positions. During the Track Record Period, we did not rely on a certain labor group for our business operations and did not experience any material labor shortages. We have been able to meet our labor demand through our usual recruitment and the aforementioned offering of vocational training to newly hired employees in the production function. As we expand our operations, we intend to continue with our existing recruitment and training practices to ensure that our labor force have the relevant skillsets required for respective positions. In addition to salaries, our employees who are retained after the probation period are entitled to discretionary year-end bonuses. We regularly review the performance of our employees according to their individual key performance indicators (KPI) and make reference to such performance appraisals in our discretionary bonus, salary adjustment and promotional appraisal in order to attract and retain talented employees.

In light of the long-term benefits of talent cultivation, we provide internal training programs to our employees from time to time so as to enhance our overall efficiency and promote employees' sense of belonging to our Group. We place heavy emphasis on occupational safety in our production and we conduct periodic training for our employees to raise awareness in relation to production safety. We will continue to offer training on industry knowledge, technical know-how in using our latest production facilities and provide updated market information to our employees. In addition to providing training to our employees, our franchise management department also provides various regular comprehensive training programs including store opening training, ad hoc large-scale training sessions, and in store training to the franchise store managers and other staff of our franchisees in order to enhance the quality of their services. Such trainings are focused on product knowledge, brand knowledge, appearance, sales process, product after-sales service, and other aspects. Our franchise management department also regularly holds sales competitions and other events to enhance the overall professional quality and sales ability of our franchise store staff.

We enter into confidentiality and non-competition agreements with our employees who hold key positions and have access to our trade secret as necessary. Such agreements typically include a non-competition provision effective during our employees' employment with us and up to two years after termination, and a confidentiality provision that remains in effect until the protected information becomes public knowledge. We have the right to take legal action against any violations of the agreement. As of the Latest Practicable Date, we were not aware of incidents of breaches of these provisions.

We have a labour union representing our employees. We believe that we maintain a good working relationship with our employees, and we did not experience any strikes, protests or other material labor disputes that may materially impair our business and reputation during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, there was no fatal accident case or material injury that had led to production suspension.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business, including insurance on our exhibition halls, insurance for inventory losses, and jewellery property insurance. Our jewellery property insurance covers operational risks, including losses incurred due to theft, with coverage amounts determined with reference to the size of each store. We maintain social welfare insurance for our employees in accordance with relevant PRC laws and regulations. See "Risk Factor — Risks Relating to our Business and Industry — Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations". There was no material claim of insurance during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL, HEALTH AND WORK SAFETY MATTERS

Overview

Corporate social responsibility is a core part of our business philosophy and is crucial for us to create sustainable value for our shareholders. We are committed to advocating for corporate social responsibility and sustainable development and promoting sustainability at all major levels of business operations. We have implemented a series of corporate governance and environmental, social and governance ("**ESG**") related policies, which provides guidelines to the management of our Group's environmental and social and related issues, corporate governance and code of ethics. We will comply with the environmental, social and governance ("**ESG**") reporting requirements after [REDACTED] and the responsibility to publish ESG report on an annual basis in accordance with Appendix C2 to the Listing Rules. We will focus on each of the areas as specified in Appendix C2 to the Listing Rules to analyze and disclose important ESG matters, risk management and the accomplishment of performance objectives, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to our Shareholders.

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues and integrate ESG into the Company's strategy and daily operational management. In order to better manage the Company's ESG-related affairs, the Board has the overall responsibility for developing, adopting, and reviewing our Group's environmental, social, and governance ("**ESG**") related strategies and policies. These policies are continuously updated to ensure full compliance with the latest laws, regulations, and guidelines. In accordance with Appendix C2 of the Listing Rules, we prepare disclosure that complies with the requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**"), either upon [REDACTED] or when appropriate. The Board is also responsible for identifying, evaluating and managing our ESG-related risks and opportunities and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Board of Directors appoints management and relevant functional departments of ESG to form an ESG working group and implement ESG-related decisions to ensure that our operations and business practices align with the relevant ESG strategies. Furthermore, the Board identifies ESG KPIs, assigns relevant targets, reviews performance against ESG-related targets on an annual basis, and revises the ESG strategy as appropriate in the event of material non-compliance.

Following the [REDACTED], we intend to recruit employees with ESG backgrounds to augment our ESG capabilities. Additionally, we will enhance ESG training programs for the directors, senior management and staff to elevate their proficiency in ESG matters. After the [REDACTED], we will gradually appoint dedicated directors to participate in the development of necessary ESG mechanisms and policies and establish an ESG committee to be responsible for supervising and managing ESG-related risks and matters, including formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board.

With respect to the management of environmental, social and climate-related issues, we take into account the concerns of internal and external stakeholders on ESG issues, as well as the business characteristics of our Group, and incorporate the opinions of third-party professionals.

Identification, Assessment and Management of the Risks and Opportunities for Major ESG Issues

Our Board has the overall and collective responsibility to ensure an effective ESG risk management and internal control mechanism with periodic review on its effectiveness in safeguarding our Group's assets and Shareholders' interests. Upon the [REDACTED], our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by us in our business, including, but not limited to the risks arising from the ESG aspects. Our Board will assess to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks.

Based on our board and management's judgment, reference from materiality maps provided by well-known external institutions including SASB Materiality Map by Sustainability Accounting Standards Board (SASB), as well as the professional opinion from third-party professionals, we have identified the material ESG issues highly related to our business. We will incorporate ESG related risks into our risk assessment processes.

Firstly, we acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified can be classified into two major categories: physical risk and transition risk. We identify, evaluate, and monitor the climate-related risks and opportunities over the short, medium and long term, and seek to incorporate such climate-related issues into our policy and management. See "Environmental protection" in this section for further details on climate-related policies. Below is a summary of the climate-related risks and countermeasures that we have identified over the short, medium and long term:

Time horizon	Climate-related risk type	Climate-related risks	Potential impact	Countermeasures
Short term (current reporting period) . .	Physical risk: Acute risk	• Extreme weather conditions such as rainstorms and typhoons	• Damages and disruptions to the points of sale and the resulting incurring increased capital cost	• Create and continuously optimize emergency response measures to extreme weather conditions
Medium term (one to three years)	Transition risk: Policies and laws	• Heightened environmental regulatory oversight	• Increased operating and compliance costs • Higher operating costs and/or tax burdens due to stringent environmental regulations	• Pay close attention to environmental policies and regulations especially climate related
	Transition risk: Technology	• Global initiatives and technological innovation for carbon emission reduction	• Increased cost caused by technology research and development on energy structure transformation and electric reform	• Energy saving upgrade and transformation of motor equipment to reduce carbon emissions
	Transition risk: Market	• Consumer behavior change on environmental protection and green in product purchase and selection	• Reduction in revenue due to customer preferences	• Transmit low-carbon and green consumption concepts
Long term (above three years)	Physical risk: Chronic risk	• Global warming and sea level rise caused by continuous high temperatures	• Increased in cooling demand and the resulting incurring higher electricity demand and operating cost • Interruption and price fluctuation of raw material supply and the resulting incurring higher purchasing cost	• Continuously improve operational energy efficiency • Strengthen supply chain management to improve the climate resilience of supply chain

We are constantly exploring more ways to reduce GHG emissions in response to climate change and continuously improve the ability of climate related risk management. Meanwhile, climate change mitigation presents opportunities for us to adopt energy efficient technologies or sustainable practices that help to reduce our operating cost.

On top of the risks regarding climate-related issues, we have identified the following material ESG issues and their potential impacts.

Material Topics	Topics Potential Risks, Opportunities and Impacts
Occupational and workplace safety	We strive to protect the health of our employees, create a safe working environment, thereby reducing the costs of accident handling, litigation and fines, and improving our business continuity and operational efficiency.
Employee care	Neglecting employee care may bring us the risk of talent loss. We focus on equal rights, diversity and welfare of employee and fairly evaluate employee performance and cultivate employee skills to attract, reserve, promote, and retain talent.
Social responsibility	We attach great importance to corporate social responsibility to promote the harmonious development of society which may also bring us the opportunities of social credibility, corporate reputation and business development.
Energy saving and emission reduction	Through improving operational efficiency, reducing the use of energy and resources, as well as emissions of pollutants and wastes may allow us to enhance our environmental performance and reduce the negative impact of our operation in relation to climate change. While this may potentially incur extra cost to comply with the increasingly stringent environmental regulatory requirements and increase operational cost, it may positively improve our reputation.

We report various measures that we undertake to manage and mitigate risks relating to material ESG issues in the following.

Occupational and workplace safety

We attach great importance to occupational and workplace safety and are accredited with ISO 45001 occupational health and safety management. In order to ensure production safety, we have in place a comprehensive and effective safety production management system, and have formulated various standard operating procedures to regulate workplace safety management such as the "Fire Safety Management System" (《消防安全管理制度》), "Safety Risk Grading Control and Hidden Danger Investigation and Management System" (《安全風險分級管控和隱患排查治理管理制度》),

"Quality/Environmental/Occupational Health and Safety Management Manual" (《質量／環境／職業健康安全管理手冊》) and the "Production Safety Emergency Management Plan" (《安全生產應急管理預案》). We have established a safety production management committee with the general manager as the responsible personnel and each department's safety officer as the specific responsible person. This committee is responsible for implementing our safety production management system, which adheres to the principle of "safety first, prevention first".

We also attach significant importance to safety training and enhance safety awareness among our employees. We conduct regular safety production training and daily production safety inspections, as well as comprehensive safety inspections once a month, to identify and rectify any safety hazards. This approach helps to ensure the safety and well-being of employees and the public near our production facility, and it is important for maintaining our reputation and social responsibility.

We also strictly implement the safety production responsibility system, regularly conducts safety education, training, inspection, and evaluation for employees, especially pre job training for frontline production employees to understand the production process of our products, master equipment performance, strictly standardize operating procedures, continuously improve employees' safety production responsibility and awareness, and follow the safety concept of "accident comes from negligence, safety comes from standardization", effectively prevented the occurrence of safety accidents. In order to standardize the management of safety incidents, reporting and assessment, we have established a set of standards to classify safety accidents into different severity levels. The disciplinary actions, such as penalties and year-end bonus deductions, against the directly responsible person, responsible management, and responsible leader are determined based on the severity of the accidents.

During the Track Record Period, we did not have any material accidents in relation to occupational and workplace safety in the course of our operation. As advised by our PRC Legal Advisor, based on our Directors' confirmations, we were not subject to any administrate penalties as a result of breach of safety related laws, rules, regulations, or regulatory documents during the Track Record Period and up to the Latest Practicable Date.

Employee care

We fully protect the legitimate rights and interests of employees on recruitment, dismissal, salary, and benefits to ensure equal opportunities and create a diverse and inclusive working atmosphere to all of our employees.

We have developed a comprehensive human resources system, which clearly lays out the policies on remuneration, holidays, working hours, welfare, reward, dismissal and termination of employment contract. According to "the Labor Law of the People's Republic of China" (《中華人民共和國勞動法》), "the Labor Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》), "the Employment Promotion Law of the People's Republic of China" (《中華人民共和國就業促進法》) and other relevant laws and regulations, we have formulated various policies and operating procedures to regulate employment management such as the "Recruitment Management Measures" (《招聘管理辦法》), "Management Measures for Employee Induction and

Probation Period" (《員工入職及試用期管理辦法》), "Salary and Welfare Management Measures" (《薪酬福利管理辦法》), "Attendance and Vacation Management System" (《考勤休假管理制度》), "Management Measures for Travel Expenses for Family Visits" (《探親路費管理辦法》) and other policies to ensure the rights and interests of employees on salary, dismissal, diversification, anti-discrimination, and other welfare policies within the company's systems and management processes.

We believe that our talents are an integral part of our success. We have invested significant resources in career development and training for our employees of all levels. See "— Employees" in this section for further details.

We also offer a comprehensive compensation and benefits package, with competitive salaries, bonuses, maternity leave, and other allowances, on top of social insurance and housing provident fund contributions. We also embrace diversity and inclusion, so all our employees enjoy equal opportunities in all respects, ranging from recruitment, training, welfare coverage, career and personal development during their time with us. Besides, we will also continue to encourage a culture of work-life balance, in order to create a positive and comfortable work environment for our employees. Our policy is to treat all employees equally regardless of age and sex. We conduct internal assessment, employee self-assessment to ensure the fairness of employee compensation, and motivate, attract, and retain outstanding talents through equity incentive plans. During the Track Record Period, we were not subject to any violations of anti-discrimination and fairness principles thereof.

Social responsibility

We are committed to contributing to the welfare of society and sharing our corporate social responsibility. For example, we made charitable contribution on education fields to support the child welfare, the development of Hope Primary School and university scholarship. We also contributed to the projects of infrastructure construction and cultural construction to empower rural revitalization and promote harmonious social development. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our donation for social responsibility amounted to RMB0.4 million, RMB2.4 million, RMB1.15 million and RMB0.6 million, respectively.

Compliance, Business Integrity and Anti-corruption

We attach great importance to integrity and anti-corruption and cultivate the culture of compliance. We have always maintained a high-pressure stance against violations of disciplines and regulations, and actively formulated the "Anti-Corruption and Anti-Bribery System" (《反貪污、反賄賂制度》). We seek for legal advice in relation to our Group's compliance and operation from time to time. Our internal policy includes a system of commitment to the prevention of commercial bribery for staff in key areas, and staff in important positions are required to sign a Letter of Commitment to Integrity with the company.

We also set up a reporting hotline for the prevention of commercial bribery and publish the reporting telephone number in the franchise agreement. For the whistleblower's report, once verified, the whistleblower will be rewarded accordingly. We actively encourage employees to report any suspected corruption and illegal behaviors, with all reported cases being investigated rigorously and in a timely manner. Our Group soundly implements the whistle-blower protection mechanism, to carry out investigation of complaints and reports following the principles of fairness, impartiality and confidentiality. The whistle-blower and the reported information will be kept strictly confidential. During the Track Record Period, we have no judicial cases involving corruption.

Responsible Supply Chain

Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. In order to promote sustainable and responsible practices, our Group has formulated the "Supplier Management Measures" (《供應商管理辦法》), including procurement policies, and screening, evaluation and monitoring of suppliers. Our Group have also conducted a series of assessments and monitoring activities to optimize product quality and their environmental performance. The purchasing department will evaluate suppliers and establish a file for each supplier. The supplier file contains the "supplier questionnaire", "supplier evaluation form" and the qualification documents provided by the supplier. The supplier's form document specifically looks at the supplier's environmental issues as well as reputational issues.

Furthermore, we categorically prohibit any occurrence that violates human rights, and the Company has not been involved in any conflict diamond incidents. To prevent the occurrence of such events, the Company has become a member of the Shanghai Diamond Exchange and currently procures diamonds exclusively from the Shanghai Diamond Exchange to ensure the legality and compliance of the diamond sources.

To ensure the quality of raw materials and meet industry standards, we collaborate with widely recognized suppliers in the industry during our procurement process. We have established a supply chain approval process, through which suppliers must provide relevant qualifications, such as their business licenses, operation licenses, among others, and demonstrate legal compliance with good business ethics prior to approval. Then we conduct on-site inspections of the supplier's work environment and perform a comprehensive quality inspection to ensure that the raw materials fulfil our quality requirements. Once the above processes have been passed, the Procurement Department will eventually submit the Supplier Admission Process. Through effective supply chain management, we strive to enhance business development, improve operational efficiency and drive suppliers towards sustainable practices.

Environmental protection

We recognize that environmental protection has become a vital component of promoting sustainable development. We have always been committed to improving the environment, emphasizing energy conservation and environmental protection in our production and operation processes, reducing the use of natural resources, and avoiding environmental damage caused by excessive emissions and pollutants.

(a) ***Overview of environmental protection related matters***

Our production process does not produce substantial heavy pollutants, and was not named in the "High Pollution and High Environmental Risk" (高污染、高環境風險) product list of the "Comprehensive Environmental Protection Catalogue (2017 Edition)" (《環境保護綜合名錄(2017年版)》) released by the Ministry of Environmental Protection (環境保護部). Meanwhile, our business does not belong to any of the heavy pollution industry named in the "List of Environmental Protection Verification Industry Classification Management of Listed Companies" (《上市公司環保核查行業分類管理名錄》), and there are no high-risk or heavy pollution situations. During the Track Record Period, we have strictly implemented various environmental protection measures and complied with environmental protection laws and regulations. We have also been accredited with ISO14001 environmental management.

We have established Safety and Environmental Protection Department, with specialists responsible for the implementation and execution of environmental protection policies, constantly improving the environmental management system, establishing and improving the environmental protection control mechanism and long-term mechanism, forming the environmental protection system, and taking the construction of ecological civilization and environmental protection work as an important part of the work, so as to ensure lasting development.

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), in order to implement the policy of "comprehensive planning, technological innovation, comprehensive utilization, scientific management, and pollution prevention and control" (全面規劃、革新科技、綜合利用、科學管理、防治污染), we have in place a comprehensive and effective environment management system and have formulated various policies and operating procedures to regulate and promote environment management such as the "Environmental Protection Management System" (《環境保護管理制度》), "Environmental Protection Target Responsibility System" (《環境保護目標責任制》), "Environmental Protection Facility Operation Management System" (《環境保護設施管理制度》), "Hazardous waste management system" (《危險廢棄物管理制度》), "Three Waste Management System" (《三廢管理制度》) and other policies and systems.

In addition, with the intensification of climate change and under the background of China's "carbon peak" and "carbon neutrality" goals, we are strengthening our focus on climate change management and greenhouse gas emissions reduction. We have developed the "Environmental Emergency Management System" (《突發環境應急管理制度》) to cope with the major risks brought by environmental events, and we continue to optimize the emergency management mechanism and strengthen the training and drills in order to mitigate the operational losses caused by such events.

Meanwhile, we mitigate the transition risks posed by climate change by formulating "Environmental Responsibility System" (《崗位環保責任制》) and "Environmental Protection Management System" (《環境保護管理制度》) that requires enhanced energy-saving renovation, thereby improving energy comprehensive utilization efficiency and reducing greenhouse gas emissions. We have described the identification, management and mitigation of climate change in the section of "Identification, Assessment and Management of the Risks and Opportunities for Major ESG Issues".

(b) ***Nature resource use and actions taken to manage related impacts***

We strive to minimize the impacts of our production and operations on the environment and natural resources and take proactive measures and actions to minimize these impacts.

i. *Energy*

We endeavor to proactively conserve energy and reduce GHG emissions in response to the government's initiatives. In addition to purchased electricity and steam for production and operation, our production facilities consume fossil fuels such as natural gas and our fleet of Group-owned vehicles consumes diesel and petrol. In order to reduce energy consumption and GHG emissions, we continue to replace high energy consuming motor equipment to save energy consumption, especially electricity consumption, and improve energy conservation efficiency. In addition, we adhere to green operation and implement electricity card management system to ensure that electricity consumption is within a reasonable range of use and avoid power waste.

ii. *Water*

We adhere to green operation and implement water card management system to ensure that water consumption is within a reasonable range of use and avoid water waste. We utilize wastewater treatment and water reuse technologies to improve water recycling. The wastewater is treated in the sewage treatment station and reused in the production process after "double-effect evaporation — ultrafiltration" (雙效蒸發 — 超濾), thereby reducing the consumption of water resources.

iii. *Resource Consumption*

We endeavor to reduce negative impact on the environment through our commitment to resource saving. We actively promote the idea of paperless workplace, and we encourage double-sided printing of documents in our office.

I ***Specific production process that may cause pollution and types of pollutants emitted in course of production and operation***

As disclosed in the section headed "Our operation workflow — Production — Purification and processing in our self-owned production facility", our major production processes include casting, hydraulic pressing, threading and weaving of gold. The major types of pollutants that may be produced in course of our production process include the followings:

i. *Sewage*

This includes industrial sewage and domestic sewage, amongst which, the industrial sewage from our gold processing was mainly produced in course of the cleaning process after polishing (拋光). Such industrial sewage can be used in the other production process after processing and purification and the leftover purified water from our production will be sold to qualified companies. The industrial sewage from the production of hard gold and K-gold products was mainly produced in course of gold, exhaust gas treatment device drainage, pure water preparation wastewater, etc.;

We adopt strict sewage treatment procedures. The industrial sewage is treated in the sewage treatment station by "PH adjustment — gold extraction (hydrazine hydrate method) — multi-media filtration" (PH調節 — 提金(水合肼法) — 多介質過濾), and reused in the production process after "double-effect evaporation — ultrafiltration" (雙效蒸發 — 超濾). Industrial sewage is received by professional third-party organizations for treatment after sedimentation. We treat domestic wastewater for reuse and use electronic water cards to monitor and minimize uncontrolled discharge of domestic wastewater.

ii. *Waste gases*

The waste gas generated during the processing of hard gold and K-gold mainly consists of the waste gas generated by the preparation of liquid gold, the organic waste gas which has volatilized during the process of adding silver oil, the waste gas from electroforming, and the waste gas from acid boiling. The main pollutants in the waste gas generated from the preparation of gold water are hydrogen chloride and a small amount of ammonia.

We adhere to the concept of "source control, prevention first" (源頭治理、預防為主), continuously optimize production process to reduce the impact of waste gases on the surrounding environment. We install gas collection hoods and treatment cabinets in all waste gas generation processes for collection and uses variable frequency fans to avoid waste gas diffusion. Organic waste gas is treated by drying box, adsorption box, and carbonization furnace, and then treated by three-stage spraying treatment before reaching the standard for discharge. Acidic waste gas is adsorbed by acid treatment equipment through ceramic granules, condensed and recovered, and then treated by three-stage spraying treatment before reaching the standard for discharge. We regularly invite third-party to test the waste gases to ensure compliance with standards, and there are no instances of excessive emissions.

iii. *Noise*

The production noise mainly comes from embossing machines, CNC discharge machining machines, multifunctional engraving machines, pumps, exhaust systems, etc., which has a small impact on the surrounding environment, as the machineries are operated inside an enclosed building;

In order to avoid the generation and spread of noise, the production shop adopts the upper and lower layered design and installs process partitions and aluminum alloy partition walls. The outside of the workshop is equipped with marble, and there is a cavity between the marble and the wall, thus greatly blocking the spread of sound. In addition, the company regularly carries out workshop noise and factory noise inspections and there are no exceeding standards. The inspection results show that the noise generated during our production and processing has less impact on the surrounding environment.

iv. *Solid waste*

The solid waste that needs disposal mainly includes general solid waste, household waste, hazardous waste, etc. General solid waste mainly includes waste wax, leftover materials, raw material packaging materials, and waste cardboard boxes generated during the jewellery processing process. Raw material packaging materials and waste cardboard boxes are centralized and sold by us, and waste wax, leftover materials, and other materials are recycled and reprocessed for reuse. Domestic waste is centrally cleared and disposed of by the environmental sanitation department. Hazardous waste includes packaging of waste chemical raw materials, sludge from sewage treatment stations, evaporated waste salts, waste filter cartridges, etc. is temporarily stored in a hazardous waste warehouse and entrusted to qualified external parties for collection, transportation, and storage.

We have established a "solid waste warehouse" and a "hazardous waste warehouse", which store and classify waste in different areas. Domestic waste is centrally cleared and transported by the environmental health department, while general solid waste and hazardous waste are regularly cleared and professionally treated by qualified units, and transfer receipts are kept ensuring compliance. We strictly store and dispose of hazardous waste in accordance with relevant standards for hazardous waste and implements full process management of hazardous waste.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we have incurred costs for compliance with the applicable environmental rules and regulations of approximately RMB306,100, RMB353,000, RMB404,300 and RMB251,900, respectively. As advised by our PRC Legal Advisor, based on our Director's confirmation, we were not subject to any administrative penalties as a result of a breach of any relevant PRC environmental-related laws, regulations, rules or regulatory documents during the Track Record Period.

In the future, we expect that our costs for compliance with the applicable environmental rules and regulations shall increase along with our overall business development, however, we expect that the proportion of such costs against our total revenue will have a downward trend.

Metrics and targets to manage ESG-related risks

We enforce metrics and targets to manage the ESG-related risks especially on environmental issues. To protect the environment and create an "environmentally friendly enterprise" to prevent various environmental accidents, we have set a series of environmental targets.

As our business continues to expand, we expect the absolute use of energy and discharge volume of our waste to grow concurrently. However, we strive to minimize the discharge of wastes and eliminate the occurrence of various major environmental pollution accidents. We are committed to gradually adopt more environmentally friendly measures and not discharge various types of sewage containing harmful substances into domestic water bodies. In setting targets for the ESG-related KPIs, we have taken into account the respective historical levels, the best practice from peer industry and our future business development thoroughly and prudently with a view of balancing business growth and environmental protection to achieve sustainable development. Specifically, we target to reduce the water, energy, GHG emissions and waste per million revenue by 5%, respectively, by 2030 when compared to 2020. At the same time, we will continue to establish more comprehensive ESG-related indicators and targets as we discuss with relevant stakeholders. In order to achieve relevant environmental targets, we promote green operation and have taken a series of measures such as carry out energy-saving and carbon emission reduction projects, strengthen resource use and waste management. We have described the actions taken by the group for achieving the relevant targets in the sections of "— Environmental, Social, Health and Work Safety Matters — Environmental Protection — (a) Overview of environmental protection related matters" and "— Environmental, Social, Health and Work Safety Matters — Environmental Protection — (b) Nature resource use and certain actions taken to manage related impacts — I. Specific production process that may cause pollution and types of pollutants emitted in course of production and operation". The specific financial impact on the operation of actions taken for achieving the related targets includes that help us reduce the cost of resource utilization, thereby further reducing operational costs. The specific non-financial impact on the operation of actions taken for achieving the related targets includes that help us effectively achieve environmental goals, improve water and energy efficiency, and further improve production and operational efficiency. At the same time, actions to reduce waste and GHG emissions will also minimize the negative impact of our operations on the environment, enhance resilience to climate change risks, enhance the sustainable development capabilities of enterprises, and shape a good image of social responsibility.

We will collect and review our KPIs regularly to ensure that they remain appropriate to our Group. Set forth below are our major KPIs during the Track Record Period:

(i) ***Resource consumption***

	Year ended December 31,			Six months ended June 30,
Resource Consumption	**2021**	**2022**	**2023**	**2024**
Energy Consumption:				
Purchased electricity (kWh)	5,630,894	6,053,123	7,769,924	3,887,880
Purchased steam (tons)	2,556.34	3,529.28	2,139.67	2,352.91
Natural Gas (cubic meters)	43,428.56	48,608.03	148,177.95	120,938.50
Gasoline (Liters)	89,203.69	71,865.18	96,507.06	52,853.66
Diesel (Liters)	30,625.01	24,647.81	24,912.15	6,676.47
Total energy consumption (tons of standard coal)	1,211.84	1,369.80	1,561.31	1,006.20
Total energy consumption per million revenues (tons of standard coal/million revenue)	0.07	0.09	0.08	0.10
Water Consumption (tons)	74,750	74,667	81,647	35,732
Water consumption per million revenues (tons/million revenue)	4.43	4.75	4.04	3.58

(ii) ***Emissions including greenhouse gas emissions, sewage, waste gases and solid waste***

	Years ended December 31,			Six months ended June 30,
Emission	**2021**	**2022**	**2023**	**2024**
Scope 1 (direct emissions) (tons CO_2 equivalent)	373.59	330.72	603.21	398.42
Scope 2 (indirect emissions) (tons CO_2 equivalent)	4,269.44	4,912.97	5,316.86	2,164.77
Total greenhouse gas emissions (tons CO_2 equivalent)	4,643.04	5,243.69	5,920.07	2,563.19
Emissions of greenhouse gas per million revenue (tons CO_2 equivalent/million revenue)	0.28	0.33	0.29	0.26
Sewage discharge (m^3)	74,823.20	75,253.40	84,713.60	38,311.00
Sewage discharge per million revenue (m^3/million revenue)	4.44	4.79	4.19	3.84
Waste Gas:				
HCl gas (tons)	0.033	0.058	0.077	0.056
Ammonia (tons)	0.044	0.057	0.046	0.035
VOCs (tons)	0.087	0.055	0.106	0.093
NOx emissions (tons)	0.081	0.091	0.277	0.226
Waste gas per million revenue (kg/million revenue)	0.015	0.017	0.025	0.041
Hazardous waste generated during processing and manufacturing (tons)	1.504	1.557	1.394	1.122
Hazardous waste generated during processing and manufacturing per million revenue (kg/million revenue)	0.089	0.099	0.07	0.11
Non-hazardous waste (tons)	154.33	153.81	173.54	90.36
Non-hazardous waste per million revenue (kg/million revenue)	9.15	9.78	8.59	9.05

In addition, we identify our ESG-related KPIs to include social issues. We attach great importance to corporate social responsibility, and we are dedicated to providing more contributions and value to society. We target to providing fair and equal treatment and maintain a healthy and safe environment for all of our employees. See "Occupational and workplace safety", "Employee care" and "Social responsibility" in these sections for further details.

COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

We may from time to time be involved in legal proceedings or other disputes in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not received material complaints from consumers and we were not the defendant of any actual or pending litigation cases, arbitrations or administrative proceedings (including any bankruptcy or receivership proceedings), nor were we aware of any litigation, claim or arbitration to be pending or threatened against any member of our Group that we believe would have material adverse effect on our business, financial conditions, results of operations or reputations.

Non-Compliance

Inadequate Contribution to the Social Insurance Plan and Housing Provident Fund

During the Track Record Period, we and certain subsidiaries of our Group did not pay social insurance and housing provident fund in full for employees based on their actual wages in accordance with PRC laws. For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of social insurance and housing provident fund that we had failed to pay was estimated to be RMB7.0 million, RMB9.3 million, RMB10.6 million and RMB5.5 million.

Our Directors confirm that the non-compliance was mainly due to (i) failure to make timely contribution upon the hiring of new employees; (ii) a number of our employees had already participated in comparable new local rural social insurance plans, rural cooperative medical schemes or other similar schemes; and (iii) a number of our employees voluntarily forfeit to participate in the social welfare schemes.

As advised by our PRC Legal Advisor, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments within the prescribed period, we may be liable to a fine of one to three times the amount of the outstanding contributions. The maximum amount of fine we may be liable in relation to such outstanding contributions are expected to be approximately RMB13.3 million, RMB18.0 million, RMB19.1 million and RMB10.4 million for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. Our PRC Legal Advisor have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments within the prescribed period, application may be made to a people's court in the PRC for compulsory enforcement.

With a view to prevent potential future non-compliances, we plan to implement various enhanced internal control measures including (i) to maintain regular communication with the relevant PRC authorities to ensure our contributions calculation and payment methods comply with relevant rules and regulations, (ii) to prepare and distribute internally compliance policies with respect to social insurance plans and housing provident funds, (iii) to assign designated personnel to handle routine administrative matters and legal department staff to monitor the status of our social insurance and housing provident fund contributions and report to our senior management on a regular basis, (iv) to consult external legal adviser regularly to assess whether we are subject to relevant risks of non-compliance, as well as (v) to organise regular legal compliance training on the relevant laws and regulations to our employees to enhance their awareness of and encourage their participation in the social welfare scheme. Our Directors believe that our enhanced internal control measures to be adopted will be sufficient for our current operations and ensure on-going compliance with the relevant rules and regulations. Our management confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group were not subject to any administrative penalty imposed by any competent authority as a result of inadequate contribution to the social insurance plan and housing provident fund.

As advised by our PRC Legal Advisor, and our Directors are of the view based on our PRC Legal Advisor's advice, the risk of us being subject to fines and penalties as a result of the aforementioned non-compliance is low with consideration to the following factors:

(i) we were not subject to any administrative penalties in respect of the inadequate contribution to the social insurance plan and housing provident fund during the Track Record Period and up to the Latest Practicable Date;

(ii) during the Track Record Period, we and our subsidiaries each individually (i) did not have shortfall of social insurance and housing provident fund contributions; or (ii) did not have any records of non-compliance; or (iii) had not been subject to any administrative penalties, based on interviews with regulatory bodies, confirmations from relevant authorities, credit report obtained from searches and online searches on relevant websites; and

(iii) according to the relevant PRC laws and regulations, (i) all the local authorities responsible for the collection of social insurance are prohibited to conduct centralized self-collection of historical unpaid social insurance contributions from enterprises; and (ii) that tax authorities at all levels may not organize centralized self-collection of arrears of taxpayers including private enterprises in the previous years.

Our Controlling Shareholders Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin and Ms. Wang Na have also undertaken to indemnify us against all of such outstanding shortfalls, penalties or damages in the event that we are required to pay any of the abovementioned outstanding contributions, or any overdue charges or penalties imposed by the relevant PRC authorities. Based on the above, no provisions were made in respect of the aforesaid underpayment of social insurance and housing provident fund.

Save as disclosed above, our Directors confirm that we have complied with the relevant PRC laws and regulations in all material respects and we were not subject to any material administrative penalties as a result of a breach of the relevant PRC laws and regulations during the Track Record

Period and as of the Latest Practicable Date. Our Directors confirm that the incompliance with relevant PRC laws and regulations have no material adverse impact on the Company's financial performance and business operation.

MATTERS IN RELATION TO CYBERSECURITY

During the Track Record Period, our Group had not suffered any material attacks from hackers or mal-ware, material sensitive data leakage, or suffered from any material loss from cyber security issues. According to the "Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》)" and the "Measures for Cyber Security Review (《網絡安全審查辦法》)" data is categorized into general data, important data, and core data. We only engage in data processing activities required in relation to our business operations and internal management. The data we collect and store primarily consists of personal information. Such data collection generally does not constitute data concerning national security as it is regarded as a type of general data.

Regarding the aforementioned collected and stored data, we have implemented security measures in accordance with the requirements of the Cybersecurity Law, Data Security Law, and Personal Information Protection Law, fulfilling our compliance obligations. We have conducted impact assessments on the protection of sensitive personal information in specific scenarios. We have established regulations including security management, personal information protection, and emergency response plans for personal information security incidents. Through technical measures such as data encryption, network controls, and system backups, as well as the implementation of appropriate network and data security technologies in line with our operations, we can effectively prevent the leakage, tampering, and loss of personal information. To establish reasonable permissions for personal information processing, we have appointed a data security officer and a personal information protection officer and established a data management organizational structure. Additionally, we plan to provide data security training to our employees after this issuance application to enhance their awareness of network and data security.

OVERVIEW

Our Company was established in the PRC on September 8, 2000 as a limited liability company and was further converted into a joint stock limited company on June 29, 2018. As of the Latest Practicable Date, our Company was owned as to approximately 28.27% by Mr. Wang Zhongshan, 26.19% by Ms. Zhang Xiuqin, 9.60% by Jinmeng Partnership, 3.93% by Jinyuan Partnership, 3.93% by Jinlong Partnership and 17.46% by Tianjin Yuanjinmeng, which was owned as to 50% by Mr. Wang Guoxin and 50% by Ms. Wang Na. Ms. Zhang Xiuqin is the spouse of Mr. Wang Zhongshan. Mr. Wang Guoxin is the son of Mr. Wang Zhongshan and Ms. Zhang Xiuqin, and Ms. Wang Na is the daughter of Mr. Wang Zhongshan and Ms. Zhang Xiuqin. See "Directors, Supervisors and Senior Management" for details. Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership are limited partnerships established in the PRC and are our Employee Shareholding Platforms. Ms. Zhang Xiuqin is the general partner of Jinyuan Partnership and Jinlong Partnership. Mr. Wang Zhongshan is the general partner of Jinmeng Partnership. The voting rights attaching to the Shares held by Jinyuan Partnership, Jinlong Partnership and Jinmeng Partnership in our Company are exercised by their respective general partners, who are responsible for daily management of the partnerships' external investments pursuant to the respective partnership agreements. Mr. Wang Guoxin and Ms. Wang Na are the limited partners of Jinyuan Partnership. Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng, as a group of Controlling Shareholders, were collectively entitled to exercise the voting rights of approximately 89.39% of the total registered capital of our Company as of the Latest Practicable Date. See "Substantial Shareholders" and "History, Development and Corporate Structure" in this document for details.

Immediately following completion of the [REDACTED], Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng will collectively be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company assuming that the [REDACTED] is not exercised and will collectively be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company assuming the [REDACTED] is exercised in full and will remain as a group of Controlling Shareholders upon [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after [REDACTED].

Management independence

Our daily operational and management decisions are made by our Board and our senior management. Our Board comprises four executive Directors and four independent non-executive Directors. See "Directors, Supervisors and Senior Management" in this document for details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and no conflict between his/her duties as a Director and his/her personal interests shall exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgement to the decision-making process of our Board. Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with our Controlling Shareholders group or each of their associates; (b) our independent non-executive Directors account for over one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. We will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholders group, which would support our independent management.

The daily operation of our Group is carried out by an experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

The table below sets forth certain information about the Directors who also hold positions in the Controlling Shareholders:

Name of Director	Roles held in the Controlling Shareholders
Mr. Wang Zhongshan *(executive Director and chairman)*	• Executive director, general manager and legal representative of Tianjin Yuanjinmeng • General partner of Jinmeng Partnership
Ms. Zhang Xiuqin *(executive Director and vice chairman)*	• General partner of Jinyuan Partnership • General partner of Jinlong Partnership

Save as disclosed above, there is no overlap of the management team of the Controlling Shareholders' and ours.

Given that (i) Tianjin Yuanjinmeng was established for investment holding purpose; and (ii) Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership are our Employee Shareholding Platforms, Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be able, and has undertaken, to devote all of his/her time and attention to the development strategy and strategic planning and business of our Group. In addition, there are sufficient non-overlapping Directors and senior management who are independent from our Controlling Shareholders and their respective close associates and possess relevant experience to ensure that the Board is able to perform its functions properly.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational independence

We have full rights, hold all relevant licenses, permits and qualifications, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective close associates and will continue to do so after [REDACTED]. We have our own accounting and financial department, human resources and administration department, internal control department and technology department. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

Intellectual property rights and licenses required for operation

We are not reliant on intellectual property rights (such as patents, trademarks or copy rights) owned by our Controlling Shareholders or their respective close associates. In addition, we hold and enjoy the benefit of all relevant licences and permits material to the operation of our business.

Access to customers

We conduct our own sales and marketing through our own sales and marketing team. Our Group has a large and diversified base of customers that are independent of our Controlling Shareholders and/or their respective close associates.

Operational facilities

Save as disclosed in the "Connected Transactions" section, all the properties and facilities necessary to our business operations are owned by us or leased from Independent Third Parties.

Employees

As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through open market and by referral.

Transactions with our Controlling Shareholders

Save as disclosed in the "Connected Transactions" section, our Directors do not expect that there will be any transaction between our Group and our Controlling Shareholders or their respective associates upon or after [REDACTED]. In addition, none of our Controlling Shareholders and Directors or their respective close associates has been our major suppliers or customers during the Track Record Period which provide any critical services or materials for our business operation.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders and their respective close associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and each of his or her or its close associates after [REDACTED].

Financial independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from Independent Third Parties.

During the Track Record Period, Mr. Wang Zhongshan and Ms. Zhang Xiuqin (the "**CP Guarantors**") had been providing personal guarantees/mortgages (the "**CP Guarantees**") as security for certain of our Group's banks loans, acceptance bills, lease financing and gold loans (collectively, the "**Guaranteed Loans**"), and all of such CP Guarantees will be terminated and the relevant banks loans, acceptance bills and gold loans will be guaranteed by our Company and/or members of our Group upon [REDACTED]. As of the Latest Practicable Date, we had a total outstanding gold loans with principal amount of RMB484,028,360 and total outstanding bank loans and acceptance bills with principal amount of RMB478,000,000 (collectively, the "**Guaranteed Loans**") from eight lenders guaranteed by the CP Guarantors, details of which are set forth below:

Number	Type	Lender	Borrower	Principal amount	Interest rate	Commencement date	Maturity date
				(RMB)	(%)		
1	Bank loan	Bank A	Our Company	120,000,000.00	4.70	20/6/2024	17/6/2025
	Bank loan		Shandong Mokingran	20,000,000.00	4.60	20/8/2024	18/2/2025
	Bank loan		Shandong Mokingran	50,000,000.00	4.70	10/7/2024	9/12/2024
	Bank loan		Shandong Mokingran	30,000,000.00	4.70	24/4/2024	22/4/2025
	Bank loan		Shandong Mokingran	30,000,000.00	4.70	22/5/2024	21/5/2025
2	Bank loan	Bank X	Our Company	20,000,000.00	4.50	29/8/2024	24/11/2024

Number	Type	Lender	Borrower	Principal amount	Interest rate	Commencement date	Maturity date
				(RMB)	(%)		
3	Bank loan	Bank E	Shandong Mokingran	50,000,000.00	3.25	27/6/2024	25/6/2025
	Bank loan		Shandong Mokingran	80,000,000.00	4.15	18/12/2023	11/12/2024
	Bank loan		Shandong Mokingran	28,000,000.00	4.15	4/1/2024	28/12/2024
4	Gold loan	Bank G	Shandong Mokingran	43,506,000.00	4.30	4/3/2024	26/2/2025
	Gold loan		Shandong Mokingran	121,314,600.00	1.20	27/5/2024	27/11/2024
5	Gold loan	Bank H	Shandong Mokingran	74,964,000.00	4.40	7/3/2024	7/3/2025
6	Gold loan	Bank J	Shandong Mokingran	152,109,900.00	3.50	19/4/2024	14/11/2024
7	Bank loan	Bank N	Shandong Mokingran	20,000,000.00	4.80	16/1/2024	16/1/2025
	Bank loan		Shandong Mokingran	30,000,000.00	4.80	26/8/2024	25/8/2025
8	Gold loan	Bank I	Shandong Mokingran	92,133,860.00	4.50	20/8/2024	20/2/2025

We consider that an early discharge of the above guarantees is not in the best interests of our Group and our Shareholders as a whole, as it would incur unnecessary additional costs, expenses and time to refinance all or part of the Guaranteed Loans before their respective maturity dates. To our best knowledge, it is local market practice and generally required by commercial banks in the PRC to obtain personal guarantees by de facto controller(s) of private companies before providing any loan/facility.

As of the Latest Practicable Date, we have obtained letters from all lenders of the Guaranteed Loans (collectively, "**Consent Letters**" and each a "**Consent Letter**"), pursuant to which (i) the lenders agreed in principle to replace the CP Guarantees with guarantees/mortgages to be provided by our Company and/or members of our Group upon [REDACTED], if such corporate guarantees/ mortgages meet the guarantee requirements of the relevant bank and/or if we provide necessary risk mitigation measures recognized by the relevant bank; (ii) the lender agreed to report to its superior to release the CP Guarantees and to replace the CP Guarantees with guarantee/mortgage to be provided by our Company and/or members of our Group and recognized by the lender upon [REDACTED] if the corporate guarantee/mortgage meet the guarantee requirement of the lender; or (iii) the lenders agreed to release the CP Guarantees and to replace the CP Guarantees with guarantees to be provided by our subsidiary(ies) or patent rights pledges. Should we fail to complete the [REDACTED], we are required to provide additional guarantees from our Controlling Shareholders.

To our best knowledge, commercial banks in the PRC may not request de facto controller(s) of public companies to provide personal guarantees as market practice. As such, we believe that we are able to obtain new financings or extend existing financings from commercial banks on comparable terms without guarantee and security from our Controlling Shareholders group following the [REDACTED]. Upon completion of the [REDACTED], we do not expect to rely on any new guarantee, loan or other financial assistance from the Controlling Shareholders group.

Save as disclosed above, as of the Latest Practicable Date, there were no other loans, advances or balances due to and from our Controlling Shareholders and their respective close associates which have not been fully settled.

As of the Latest Practicable Date, we did not provide any guarantee or mortgage in favour of our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DELINEATION OF BUSINESSES

No competition and clear delineation of business

According to the document of China National Gold Group Gold Jewellery Co., Ltd* (中國黃金集團黃金珠寶股份有限公司, "**China Gold Jewellery**"), which is listed on the Shanghai Stock Exchange (stock code: 600916), Ms. Zhang Xiuqin subscribed for 4.56% interests in Longkou Caifeng Juxin Commerce Center (Limited Partnership)* (龍口彩鳳聚鑫商貿中心(有限合夥), "**Caifeng Juxin**"), formerly known as Beijing Caifeng Jinxin Commerce Center (Limited Partnership)* (北京彩鳳金鑫商貿中心(有限合夥)), as a limited partner. Caifeng Juxin is an investment platform established by certain franchisees of China Gold Jewellery and held 5.76% equity interests in China Gold Jewellery as of September 30, 2023. China Gold Jewellery is mainly engaged in, among others, research and development, processing, wholesale and sales of gold, silver, and jewellery. According to Rule 8.10 of the Listing Rules, an interest in an excluded business may consist of (i) where the business is conducted through a company, an interest as a director (other than an independent non-executive director) or a substantial shareholder of such company; or (ii) where the business is conducted through a partnership, an interest as a partner in such partnership. Ms. Zhang Xiuqin is neither a director nor a substantial shareholder of China Gold Jewellery. Caifeng Juxin is solely an investment platform and China Gold Jewellery does not conduct its business through such investment platform. Furthermore, Ms. Zhang Xiuqin has minority interests in Caifeng Juxin and has no control over Caifeng Juxin as a limited partner. Our Group had no business dealings with and did not conduct any transaction with China Gold Jewellery during the Track Record Period and up to the Latest Practicable Date. Based on the above, our Directors believe that the risk of business competition and consequential effect to commercial decision-making are fairly low and the indirect interests held by Ms. Zhang Xiuqin in China Gold Jewellery through Caifeng Juxin do not constitute excluded business under Rule 8.10 of the Listing Rules.

Save as disclosed above, as of the Latest Practicable Date and so far as our Directors are aware, (1) apart from the interest in our Group, none of our Controlling Shareholders and their respective close associates was engaged or had any interest in any business which, directly or indirectly, competes or may compete with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules; and (2) none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules.

Mr. Wang Zhongshan's brother and sister and their respective family members engage in or exercise control over certain business which may compete with our business ("**Other Family-Owned Business**"). Our Group, our Controlling Shareholders and our Directors do not conduct any transaction with Other Family-Owned Business. Furthermore, our Group, Controlling Shareholders and our Directors do not have any financial or other interests in Other Family-Owned Business. Other Family-Owned Business does not constitute competing business which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION AGREEMENT

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders, each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") has commercially agreed and has entered into a non-competition agreement with our Company (the "**Non-Competition Agreement**") in favour of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) on [●], pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his/her close associates (other than members of our Group) shall not in the PRC and in Hong Kong, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, the research, development, manufacturing and sales of jewellery products and any other business or investment activities in the PRC and in Hong Kong which are the same as, similar to or in competition or likely to be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and its/his/her close associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interests in our Group;

(b) undertaking project(s) or otherwise be involved in any of the Restricted Business provided that the project or business opportunity has been first offered to our Group, and our Group has not taken it up;

(c) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it/he/she becoming aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it/him/her for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it).

- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering it/him/her, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use its/his/her best endeavours to assist us in obtaining such New Business Opportunity on the same or more favourable terms. Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.

- The relevant Covenantor may, at its/his/her absolute discretion, consider extending the Offer Notice Period as appropriate.

- The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favourable, terms and conditions in all material respects as set out in the Offer Notice if:

  (i) it/he/she has received a written notice from us declining the New Business Opportunity; or

  (ii) it/he/she has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or if it/he/she has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their close associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Non-Competition Agreement, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(i) the Covenantors shall provide, and shall procure their close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Non-Competition Agreement, and to enable the independent non-executive Directors to enforce the Non-Competition Agreement;

(ii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-Competition Agreement;

(iii) the Covenantors have agreed and authorised us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement, either through our annual reports or by way of public announcements; and

(iv) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Non-Competition Agreement by the Covenantors or any of their respective close associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Non-Competition Agreement either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above, the "Relevant Period" means the period commencing from the [REDACTED] and shall expire on the earlier of (i) the date when the Covenantors and any of their close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company or (ii) the date on which our Shares cease to be [REDACTED] on the Stock Exchange (except for temporary suspension of trading of our Shares).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of the Shareholders taken as a whole for the following reasons:

- the independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Non-Competition Agreement;
- our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Agreement;
- our Company will disclose decisions and related basis on matters reviewed by the independent non-executive Directors (including all rejections by our Company of New Business Opportunities that have been referred from our Controlling Shareholders) relating to the compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders under the Non-Competition Agreement in the annual reports of our Company or by way of public announcements;
- our Controlling Shareholders will make annual statements on compliance with the Non-Competition Agreement in our annual reports, which is consistent with the principles of making disclosure in the corporate governance report of the annual report under the Listing Rules;
- as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or any of his/her close associates have a

material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

- we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. See "Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors" for details;

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through its annual report or by way of announcements;

- our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules;

- any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

- we have appointed Rainbow Capital (HK) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Company and the Controlling Shareholders and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or other Directors to protect minority Shareholders' rights after [REDACTED].

Following the [REDACTED], the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon the [REDACTED] and have entered into certain transactions with the Group which will constitute continuing connected transactions under Chapter 14A of the Listing Rules, and the nature of their relationship with our Group:

Name of connected person	Relationship with our Group
Mr. Wang Zhongshan	a member of our Controlling Shareholders group, our executive Director and director and/or general manager of certain of our subsidiaries
Ms. Zhang Xiuqin	a member of our Controlling Shareholders group and our executive Director and director and/or general manager of certain of our subsidiaries
Ms. Wang Na	a member of our Controlling Shareholders group and director and/or general manager of certain of our subsidiaries

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. VEHICLE LEASE AGREEMENT

Major terms of the vehicle lease agreement and reasons for the transaction

On January 1, 2024, to fulfill the continuing business operation needs of Shandong Mokingran given the limited supply of vehicles licenses in the capital city of the PRC, Ms. Wang Na as lessor and Shandong Mokingran (being a wholly-owned subsidiary of our Company) as lessee entered into a vehicle lease agreement, pursuant to which Ms. Wang Na agreed to lease her vehicle to Shandong Mokingran at a monthly rental of RMB2,000 determined after arm's length negotiations between the parties with reference to the rental rate of similar vehicle in the vicinity. The term of the lease is one year commencing from January 1, 2024 to December 31, 2024. Our Group expects to continue the vehicle lease from Ms. Wang Na after the [REDACTED] and will renew the vehicle lease agreement on annual basis with the same rental rate and substantially the same terms and conditions.

Listing Rules implications

The transaction under the vehicle lease agreement has been made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Accordingly, such transaction will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. TENANCY AGREEMENT

Major terms of the tenancy agreement and reasons for the transaction

On July 1, 2024, Mr. Wang Zhongshan and Ms. Zhang Xiuqin as landlords and Changle Chengxin (being a wholly-owned subsidiary of our Company) as tenant entered into a tenancy agreement, pursuant to which Mr. Wang Zhongshan and Ms. Zhang Xiuqin agreed to lease their property located at 331 Heng An Street, Changle County, Weifang City, Shandong Province, the PRC to Changle Chengxin at an annual rental of RMB350,000 determined after arm's length negotiations between the parties after taking into consideration the prevailing market price of comparable properties in the vicinity of the property, for the purpose of sales of jewellery to fulfill our business plan to continue our operation of a self-operated store in Changle County. The term of the lease is one year from July 1, 2024 to June 30, 2025. Our Group expects to continue to lease the property from Mr. Wang Zhongshan and Ms. Zhang Xiuqin after the [REDACTED] and will renew the tenancy agreement on annual basis with the same rental rate and substantially the same terms and conditions.

Listing Rules implications

The transaction under the tenancy agreement has been made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 0.1%. Accordingly, such transaction will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors are of the view that the connected transactions as set out above have been and will be entered into in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors and four independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening the general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of Appointment as Director	Relationship with other Directors, Supervisors and Senior Management
Executive Directors						
Mr. Wang Zhongshan (王忠善) . .	60	Chairman of our Board and Executive Director	Responsible for overseeing overall business development, formulating and implementing business strategies of our Group	September 8, 2000	June 22, 2018	Spouse of Ms. Zhang Xiuqin and father of Mr. Wang Guoxin
Ms. Zhang Xiuqin (張秀芹) . .	58	Vice chairman of our Board and Executive Director	Responsible for formulating and implementing business strategies, daily management and operation of our Group	September 8, 2000	June 22, 2018	Spouse of Mr. Wang Zhongshan and mother of Mr. Wang Guoxin
Ms. Jiang Liying (姜麗英) . .	74	Executive Director, Vice General Manager and Director of Supply Chain Center	Responsible for production management and operation of our Group	September 8, 2000	June 22, 2018	None
Mr. Wang Zegang (王澤鋼) . .	44	Executive Director, Vice General Manager and Joint Company Secretary	Responsible for the investment and financing, information disclosure, investor relations of our Group	December 20, 2015	June 22, 2018	None

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of Appointment as Director	Relationship with other Directors, Supervisors and Senior Management
Independent Non-executive Directors						
Mr. Wang Gongyong (王貢勇) . .	51	Independent non-executive Director	Providing independent judgment and advice to the Board on the operation and management of our Group	June 22, 2018	June 22, 2018	None
Mr. Sha Nali (沙拿利) . .	46	Independent non-executive Director	Providing independent judgment and advice to the Board on the operation and management of our Group	June 22, 2018	June 22, 2018	None
Mr. Huang Fangliang (黃方亮) . .	56	Independent non-executive Director	Providing independent judgment and advice to the Board on the operation and management of our Group	June 22, 2018	June 22, 2018	None
Mr. Bai Xianyue (白顯月) . .	54	Independent non-executive Director	Providing independent judgment and advice to the Board on the operation and management of our Group	August 22, 2024	August 22, 2024	None

DIRECTORS

Executive Directors

Mr. Wang Zhongshan (王忠善, formerly known as Wang Zhongshan (王中善)), aged 60, is the founder of our Group. He was appointed as a Director and chairman of our Board in June 2018 and re-designated as an executive Director in September 2023. Mr. Wang serves as director or management in certain subsidiaries of our Company, such as Tianjin Mokingran, Shandong Mokingran, Changle Chengxin, Hong Kong Mokingran and Nanjing Mokingran. Mr. Wang is responsible for overseeing the overall business development, and formulating and implementing business strategies of our Group.

Mr. Wang has more than 20 years of experience in gold jewellery industry and has been committed to gold jewellery crafting skills for years. Prior to founding our Group in 2000, Mr. Wang first acted as an apprentice and was engaged in gemstone inlay and processing work in the 1990s, accumulating valuable industry experience. In recognition of Mr. Wang's gold jewellery craftsmanship and contribution to the jewellery industry, he was named as one of the List of Fifth Batch of Inheritors of Provincial Intangible Cultural Heritage of Shandong Province in October 2018, recognized as the first folk art master in Weifang in January 2013, and awarded with "Individual with Outstanding Contribution in Jewellery Industry of 40th Years of China's Reform and Opening up" in December 2018.

Mr. Wang obtained a master of Business Administration training certificate from Taishan Management School in June 2014.

Mr. Wang is the spouse of Ms. Zhang Xiuqin, our executive Director, the father of Mr. Wang Guoxin, our General Manager, and Ms. Wang Na, our Controlling Shareholder.

Mr. Wang served the positions below in the following dissolved enterprises, companies or unincorporated businesses and confirmed that these enterprises, companies or unincorporated businesses were solvent immediately prior to their dissolution and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company	Position	Place of establishment	Principal business	Status	Date of deregistration	Reason for deregistration
Weifang Mokingran Jewellery Co., Ltd. (濰坊市夢金園珠寶首飾有限公司)	Executive director and general manager	PRC	Metal products, machinery and equipment repair industry	Dissolved by deregistration	May 31, 2004	No business operations
Beijing Yifu Jinyuan Jewellery Co., Ltd. (北京億福金緣珠寶首飾有限公司)	Executive director and general manager	PRC	Jewellery wholesaling	Dissolved by deregistration	May 10, 2007	No business operations
Shanghai Mokingran Jewellery Co., Ltd. (上海夢金園黃金珠寶有限公司)	Executive director and general manager	PRC	Jewellery wholesaling	Dissolved by deregistration	April 7, 2021	No business operations
Chongli County Jinda Mining Co., Ltd. (崇禮縣金達礦業有限公司) . .	Supervisor	PRC	Mining	Dissolved by deregistration	July 21, 2015	No business operations

Name of company	Position	Place of establishment	Principal business	Status	Date of deregistration	Reason for deregistration
Beijing Zhongtou Zhilian Investment Management Co., Ltd. (Limited Partnership) (北京中投智聯投資管理中心(有限合夥))	Partner	PRC	Investment holding	Dissolved by deregistration	December 20, 2018	No business operations
Guangdong Jinmengyuan Jewellery Co., Ltd. (廣東金夢園珠寶首飾有限公司)	General Manager	PRC	Jewellery, jade and handicrafts processing, wholesaling and sales	Dissolved by deregistration	June 15, 2021	No business operations
Jinan Lixia Mokingran Jewellery Store (濟南歷下夢金園珠寶商行)	Owner	PRC	Jewellery wholesaling	Dissolved by deregistration	August 10, 2015	No business operations
Changle County Jinding Jewellery Store (昌樂縣金鼎珠寶行)	Owner	PRC	Jewellery wholesaling	Dissolved by deregistration	April 22, 2008	No business operations
Changle County Baoda Jewellery Equipment Store (昌樂縣寶達首飾器材行)	Owner	PRC	Jewellery wholesaling	Dissolved by deregistration	March 20, 2007	No business operations

Mr. Wang served as a director of the following company whose business license has been revoked and confirmed that the company was solvent immediately prior to the revocation of its business license and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company	Place of establishment	Principal business	Reason for revocation	Date of revocation of business license
Shandong Tianlan Jewellery Co., Ltd. (山東天藍珠寶首飾有限公司)	PRC	Jewellery wholesaling	Failure to complete relevant matters required by the relevant administrative departments in time for lack of continuous actual operation	December 26, 2017

Ms. Zhang Xiuqin (張秀芹), aged 58, was appointed as a Director in December 2000, served as an executive Director and general manager of our Company from December 2000 to May 2011, as a Supervisor from May 2011 to August 2018, and as an executive Director and general manager from June 2018 to September 2023, and was re-designated as our executive Director and appointed as our vice chairman of our Board since September 2023. Ms. Zhang also serves as director or management in certain subsidiaries of our Company, such as Jinan Chengxin, Shandong Yifu, Shandong Mokingran, Shenzhen Mokingran and Hong Kong Mokingran. Ms. Zhang is responsible for formulating and implementing business strategies, daily management and operation of our Group.

Ms. Zhang has accumulated more than 20 years of working experience in gold jewellery industry. From 1999 to 2003, Ms. Zhang was self-employed and was engaged in gemstone inlay and raw materials processing business.

Ms. Zhang obtained a master of Business Administration training certificate from Taishan Management School in June 2014.

Ms. Zhang is the spouse of Mr. Wang Zhongshan, our executive Director, and the mother of Mr. Wang Guoxin, our General Manager, and Ms. Wang Na, our Controlling Shareholder.

Ms. Zhang served the positions below in the following dissolved partnerships or companies and confirmed that these partnerships or companies were solvent immediately prior to their dissolution and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company/ partnership	Position	Place of establishment	Principal business	Status	Date of deregistration	Reason for deregistration
Beijing Yifu Jinyuan Jewellery Co., Ltd. (北京億福金緣珠寶首飾有限公司)	Supervisor	PRC	Jewellery wholesaling	Dissolved by deregistration	May 10, 2007	No business operations
HK VFOOK JEWELRY INT'L GROUP LIMITED (香港億福珠寶國際集團有限公司)	Director	Hong Kong	Jewellery sales	Dissolved by deregistration	January 27, 2017	No business operations
Tianjin Jinmengyuan Enterprise Management Consulting Partnership (Limited Partnership) (天津金夢緣企業管理諮詢合夥企業(有限合夥)) . .	Partner	PRC	Investment holding	Dissolved by deregistration	August 8, 2016	No business operations

Ms. Jiang Liying (姜麗英), aged 74, was appointed as a Director and vice general manager of our Company in June 2018 and re-designated as our executive Director in September 2023. She joined our Group with her prior industry experience in September 2000, initially serving as a factory director of the production department, and then as a factory director of the production department of Shandong Mokingran from May 2004 to August 2007, and a vice general manager of Shandong Yifu from September 2007 to June 2015. Ms. Jiang is responsible for the production management and operation of our Group.

Ms. Jiang has more than 20 years of working experience in gold jewellery manufacturing industry. Prior to joining our Group, Ms. Jiang worked in Qingdao Xinxing Metal Products Factory (青島新興金屬製品廠) and retired in February 1996.

Ms. Jiang studied and obtained a graduate certificate from the Technical Secondary School for Cadres and Workers of Sifang District of Qingdao City (青島市四方區幹部職工中等專業學校) in April 1992.

Mr. Wang Zegang (王澤鋼), aged 44, was appointed as a Director, vice general manager and secretary of the Board in June 2018, re-designated as our executive Director in September 2023 and appointed as our joint company secretary in September 2023. He is primarily responsible for our Group's investment, financing, information disclosure, investor relations of our Group.

Prior to joining our Group, Mr. Wang served successively as a director of the customer service center and securities management department, a vice general manager, secretary of the board and chief financial officer of Shandong Mining Machinery Group Co., Ltd. (山東礦機集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002526) (the principal business of which is production and sales of specialized equipment), and was responsible for matters such as board of directors office and finance management center from March 2007 to December 2015.

Mr. Wang studied Chinese language and literature in and graduated from Shandong Normal University in June 2004 and obtained an engineering master degree in project management from Qingdao University of Science and Technology in June 2015.

Mr. Wang obtained the certificate of board secretary qualification issued by the Shanghai Stock Exchange in December 2011 and the certificate of board secretary qualification issued by the Shenzhen Stock Exchange in May 2013.

Independent Non-executive Directors

Mr. Wang Gongyong (王貢勇), aged 51, was appointed as an independent Director in June 2018 and re-designated as an independent non-executive Director in September 2023. He is responsible for providing independent judgment and advice to our Board on the operation and management of our Group.

Mr. Wang has more than 10 years of financial accounting experience. He is a partner of Shinewing Certified Public Accountants LLP. Mr. Wang obtained the qualification of senior accountant in December 2020.

Mr. Wang was an independent director of Dongfang Electronics Co., Ltd. (東方電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000682), from May 2021 to June 2024 and currently is an independent director of the following two listed companies whose shares are listed on the Shenzhen Stock Exchange. Details are as follows:

Name of listed company	Stock code	Tenure
Shandong Sino-Agri Union Biotechnology Co., Ltd. (山東中農聯合生物科技股份有限公司)	003042	From August 2012
Sinopec Shandong Taishan Petroleum Co., Ltd. (中國石化山東泰山石油股份有限公司)	000554	From June 2022

Mr. Wang obtained a master's degree of business administration from Shandong University in June 2011.

Mr. Sha Nali (沙拿利), aged 46, was appointed as an independent Director in June 2018 and re-designated as an independent non-executive Director in September 2023. He was responsible for providing independent judgment and advice to the Board on the operation and management of our Group.

He is the director of the Membership Department and deputy secretary-general of Gems & Jewellery Trade Association of China. Mr. Sha serves as an executive director of GACC (中寶協(北京)基金管理有限公司). Mr. Sha was elected as the chairman of Beijing Jewellery Academy Alumni Association Branch of Alumni Association of China University of Geosciences (中國地質大學校友會北京珠寶校友分會) in April 2019. From December 2013 to January 2018, Mr. Sha served as a supervisor of Weiyou Boutique (Beijing) Jewellery Co., Ltd. (惟優精品(北京)珠寶有限公司). From March 2017 to April 2019, he served as a supervisor of GAC (Beijing) Media Technology Co., Ltd. (中寶協(北京)傳媒科技有限公司). And from April 2017 to July 2019, he served as a supervisor of GAC (Beijing) Jewellery Culture Co., Ltd. (中寶協(北京)珠寶文化有限公司). Since January 2023, he has served as an executive director of Sanya Guanyi Fashion Industry Development Co., Ltd. (三亞觀逸時尚產業發展有限公司).

Mr. Sha obtained a master's degree of science in mineralogy, petrology and mineral deposits from China University of Geosciences, Beijing in July 2005 and an engineering doctor's degree in geological resources and geological engineering (economics of resource industry) from China University of Geosciences, Beijing in June 2020.

Mr. Sha has obtained the Fund Practicing Qualification Certificate issued by the Asset Management Association of China and the Securities Practitioner Qualification Certificate issued by the Securities Association of China in April 2018 and September 2017, respectively.

Mr. Huang Fangliang (黃方亮), aged 56, was appointed as an independent Director in June 2018 and was re-designated as an independent non-executive Director in September 2023. He was responsible for providing independent judgment and advice to our Board on the operation and management of our Group.

Mr. Huang has more than 10 years of financial and accounting experience. He has served as a professor and postgraduate tutor of the School of Finance, the president of Digital Economy Academy and the director of Capital Management Institute of Shandong University of Finance and Economics since March 5, 2012. Mr. Huang has served as an arbitrator of Jinan Arbitration Commission since May 2013.

Mr. Huang is an independent director of the following three listed companies whose shares are listed on the Shenzhen Stock Exchange, details of which are as follows:

Name of listed company	**Stock code**	**Tenure**
Shandong Denghai Seed Industry Co., Ltd. (山東登海種業股份有限公司)	002041	From April 2019
Shandong Weifang Rainbow Chemical Co., Ltd. (山東濰坊潤豐化工股份有限公司)	301035	From September 2019
Shandong Link Science and Technology Co., Ltd. (山東聯科科技股份有限公司)	001207	From March 2020

Mr. Huang was an independent director of Sublime China Information Co., Ltd. (山東卓創資訊股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 301299) from June 2017 to May 2023.

Mr. Huang obtained an economics doctor's degree in history of economic thought from Fudan University in June 2006.

Mr. Huang has obtained the qualification certificate of independent directors issued by the Shanghai Stock Exchange in October 2013.

Mr. Huang served as the following positions in the following dissolved company and confirmed that the company was solvent immediately prior to their dissolution and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company	Position held	Place of establishment	Principal business	Status	Date of deregistration	Reason for deregistration
Shandong Yiqichuang Network Technology Co., Ltd. (山東一起創網絡科技有限公司)	Director	PRC	Research and development of internet information technology and computer software and hardware technology	Dissolved by deregistration	May 27, 2019	No business operation
Beijing Jinxin Chuangfu Investment Management Co, Ltd. (北京金鑫創富投資管理有限公司)	Supervisor	PRC	Investment holding	Dissolved by deregistration	August 9, 2019	No business operation

Mr. Bai Xianyue (白顯月), aged 54, was appointed as an independent non-executive Director in August 22, 2024. He was responsible for providing independent judgment and advice to our Board on the operation and management of our Group.

Mr. Bai Xianyue has been practicing as a licensed lawyer in China for over 20 years. He has been an independent director of First Futures Co., Ltd. (一德期貨有限公司) since April 2016 and has been a partner of Grandall Law Firm (Tianjin) (國浩(天津)律師事務所) since January 2019.

Mr. Bai has been appointed as an arbitrator on the roster of China International Economic and Trade Arbitration Commission (CIETAC), Hong Kong International Arbitration Centre (HKIAC), Court of Arbitration for Sport (CAS), Asian International Arbitration Centre (AIAC), International Commercial Dispute Prevention and Settlement Organization (ICDPASO), Beijing Arbitration Commission, Shanghai International Arbitration Centre, Shenzhen Court of International Arbitration and other arbitration institutions; and concurrently he is a member of the Arbitration Committee of the International Chamber of Commerce (ICC). He served as one of the six arbitrators on the Ad Hoc Arbitral Tribunal for the 18th Asian Games held in Indonesia in 2018 and as one of the nine arbitrators on the Ad Hoc Arbitral Tribunal for the Beijing 2022 Winter Olympics from January to February 2022.

Mr. Bai obtained the Degree of Advanced Studies Master of Laws granted by Katholieke Universiteit Leuven in July 2003 and the Degree of Magister Juris granted by the Lincoln College, the University Offices, Oxford in July 2006. Mr. Bai was awarded the title of third grade lawyer (三級律師職稱) in December 2023 by the Tianjin Municipal Human Resources and Social Security Bureau (天津市人社局).

Supervisors

The Board of Supervisors of our Company consists of three members. The following table sets forth certain information about our Supervisors:

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of Appointment as Supervisor	Relationship with other Directors, Supervisors and Senior Management
Mr. Zhang Xin (張鑫)	56	Chairman of the Board of Supervisors	Supervising the Board and senior management	March 26, 2014	June 22, 2018	None
Mr. Li Hu (李虎)	37	Supervisor	Supervising the Board and senior management	June 3, 2014	June 22, 2018	None
Mr. Wang Yanpeng (王艷鵬) . . .	39	Employee supervisor	Supervising the Board and senior management	March 21, 2011	June 22, 2018	None

Mr. Zhang Xin (張鑫), aged 56, was appointed as the chairman of the Board of Supervisors in June 2018, responsible for supervising the Board and senior management.

From June 2018, Mr. Zhang served as the manager of administrative management department of our Company, responsible for administrative management. From March 2014 to June 2018, he served as the administration manager of Shandong Yifu, responsible for administrative management.

Mr. Zhang completed professional course of industrial enterprise management from Shandong University of Technology in July 1996 and obtained a bachelor's degree in administrative management from Central Party School of the Communist Party of China in December 2003.

Mr. Zhang served the position below in the following dissolved company and confirmed that the company was solvent immediately prior to its dissolution and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company	Position	Place of establishment	Principal business	Date of deregistration	Reason for deregistration
Changle County Guorui Property Management Co., Ltd. (昌樂縣國瑞物業管理有限公司) . . .	Director	PRC	Property management	September 19, 2018	No business operation

Mr. Li Hu (李虎), aged 37, was appointed as our Supervisor in June 2018, responsible for supervising our Board and senior management.

Mr. Li served as the manager of market inspection department of Shandong Mokingran since September 2019, responsible for regulating market and the operation of franchisees under contracts. Mr. Li worked as the secretary of the chairman of Shandong Mokingran from June 2014 to September 2015, responsible for assisting the chairman. Prior to joining our Group, Mr. Li worked in Qingdao Junyi Holding Group Co., Ltd. (青島君一控股集團有限公司, formerly known as Qingdao Haier Real Estate Development and Investment Co., Ltd. (青島海爾房地產開發投資有限公司), Qingdao Haier Real Estate Group Co., Ltd. (青島海爾房地產集團有限公司), and Qingdao Haier Chengchuang Group Co., Ltd. (青島海爾產城創集團有限公司) from July 2011 to August 2013, and worked in Dongying Keying Real Estate Co., Ltd. (東營科英置業有限公司, formerly known as Dongying Keying Laser Electronics Co., Ltd. (東營科英雷射電子有限公司)) from December 2013 to November 2016.

Mr. Li obtained his bachelor's degree majoring in business administration (English-medium courses) from China University of Geosciences (Wuhan) in June 2009, and obtained his master's degree in management (major in business administration) from China University of Geosciences (Wuhan) in June 2011.

Mr. Wang Yanpeng (王艷鵬), aged 39, was appointed as our employee Supervisor in June 2018, responsible for supervising our Board and senior management.

Mr. Wang served as a manager of purchasing department of our Company since September 2016. Prior to joining our Group, Mr. Wang served as a project manager of Hangzhou Branch of Shandong Geo-Surveying & Mapping Institute from August 2007 to February 2011. Mr. Wang successively served as an officer of administration department, the manager of inspection department, and the manager of procurement department of Shandong Yifu from March 2011 to August 2016.

Mr. Wang obtained a college degree in engineering of surveying and mapping from Shandong University of Science and Technology in June 2007.

Mr. Wang served the position below in the following dissolved company and confirmed that the company was solvent immediately prior to its dissolution and there were no outstanding claims or liabilities. The relevant details are as follows:

Name of company	Position	Place of establishment	Principal business	Date of deregistration	Reason for deregistration
Weifang Jinmengyun Culture Media Co., Ltd. (濰坊金夢韻文化傳媒有限公司) . . .	Supervisor	PRC	Planning of cultural and artistic exchange	May 14, 2018	No business operation

Senior Management

The following table sets forth key information about our senior management:

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of Appointment as senior management	Relationship with other Directors, Supervisors and Senior Management
Mr. Wang Guoxin (王國鑫) . . .	34	General Manager	Responsible for formulating and implementing business strategies, daily management and operation of our Group	April 1, 2014	September 22, 2022 (Deputy General Manager, Marketing Director) September 20, 2023 (General Manager)	Son of Mr. Wang Zhongshan and Ms. Zhang Xiuqin
Ms. Jiang Liying (姜麗英) . . .	74	Vice General Manager and Director of Supply Chain Center	Responsible for production management and operation of our Group	September 8, 2000	June 22, 2018	None
Mr. Wen Shuqing (溫書慶) . . .	56	Vice General Manager, Operation Director	Responsible for marketing operation and risk control management of our Group	March 1, 2006	June 22, 2018	None
Mr. Wang Zegang (王澤鋼) . . .	44	Vice General Manager, Joint Company Secretary	Responsible for investment, financing, information disclosure and investor relation of our Group	December 20, 2015	June 22, 2018 (Deputy General Manger) September 20, 2023 (Joint Company Secretary)	None
Mr. Zhang Libai (張理柏) . . .	47	Vice General Manager, Chief Financial Officer	Responsible for financial management	March 16, 2014	June 22, 2018	None

Our executive Directors (namely, Ms. Jiang Liying and Mr. Wang Zegang) also hold senior management positions of our Group. See "— Directors — Executive Directors" in this section above for their respective biographies.

Mr. Wang Guoxin (王國鑫), aged 34, joined our Group in February 2016 as the commissioner to the administration department of Shenzhen Mokingran, and then successively served as a channel commissioner of the channel management department, a director assistant of direct service management department and a director of the product planning department. He was appointed as a deputy general manager of our Company in September 2018 and a marketing director of our Company in November 2019. He was appointed as a deputy general manager and marketing director in September 2022 and a general manager in September 2023, responsible for formulating and implementing business strategy, daily management and operation of our Group. Mr. Wang has also served as a general manager of Guangdong Mokingran since August 2019.

Mr. Wang obtained a junior college diploma in International Trade Practice from Shandong University of Finance (山東財政學院) in June 2011 and a master's degree of science in International Finance from Edinburgh Napier University in October 2014.

Mr. Wang is the son of Mr. Wang Zhongshan and Ms. Zhang Xiuqin, our executive Directors and the brother of Ms. Wang Na, our Controlling Shareholder.

Mr. Wen Shuqing (溫書慶), aged 56, served as a director of the Marketing Department of Shandong Mokingran from March 2007 to June 2018, responsible for marketing operation and risk control management of our Group.

Mr. Wen has more than 30 years of experience in gold jewellery industry, serving as a deputy chief secretary of Gems & Jewellery Trade Association of Shandong Province (山東省珠寶玉石首飾行業協會) since November 2017 and a vice chairman of Shandong Gem and Jade Chamber of Commerce (山東省寶玉石商會). Prior to joining our Group, Mr. Wen worked in the jewellery and gold shop of Shandong Province Gold Industry Company (山東省黃金工業總公司珠寶金行) from July 1991 to September 1996. Mr. Wen worked at Shandong Industrial Company from September 1996 to December 2003 and Shandong Gold Xinyi Jewellery Co., Ltd. (山東黃金鑫意首飾有限公司) from January 2004 to May 2007.

Mr. Wen completed his undergraduate studies majoring in statistics and accounting in Shandong Institute of Economics (山東經濟學院) in July 1998.

Mr. Zhang Libai (張理柏), aged 47, was appointed as a vice general manager and chief financial officer of our Company on June 22, 2018. Mr. Zhang is responsible for financial management.

Mr. Zhang has approximately 20 years of experience in finance and auditing. Mr. Zhang joined our Company in March 2014, initially as a director of the audit department and was subsequently promoted to chief financial officer in August 2014. Prior to joining our Group, from

May 2005 to February 2011, he had worked in Johnson Electric (ShenZhen) Co., Ltd. (德昌電機(深圳)有限公司) and Shenzhen Daier Jewellery Co., Ltd. (深圳市代而珠寶有限公司).

Mr. Zhang obtained a bachelor's degree in law in sociology from Huazhong Agricultural University in June 2002. He has been qualified as a certified public accountant in China since December 2009, a certified tax accountant since June 2006 and an internationally certified internal auditor since November 2009.

OTHER DISCLOSURE PURSUANT TO THE LISTING RULES

Apart from Mr. Bai Xianyue, each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on September 17, 2023; and (ii) understood his or her obligations as a director of a [REDACTED] issuer under the Listing Rules. Mr. Bai Xianyue confirmed that he (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on August 19, 2024; and (ii) understood his obligations as a director of a [REDACTED] issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he/she had no past or present financial or other interests in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

Save as disclosed above, each of our Directors, Supervisors and senior management (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this document.

Immediately following the completion of the [REDACTED], save for the interests in the Shares which are disclosed in the sections headed "Substantial Shareholders" and "Appendix VII — Statutory and General Information" in this document, each of our Directors and Supervisors does not have any interest in the Shares within the meaning of Part XV of the SFO, or is a director or an employees of a company who has interests or short positions in the Shares and underlying Shares of our Company. Each of our Directors and Supervisors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed in this document, to the best of the Directors and Supervisors' knowledge, information and belief, having made all reasonable enquiries, no other matters relating to the appointment of Directors and Supervisors need to be brought to the attention of Shareholders and no information relating to Directors and Supervisors is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

Joint Company Secretaries

Mr. Wang Zegang (王澤鋼), aged 44, was appointed as our joint company secretary in September 2023. See "— Directors — Executive Directors" above for details of his background.

Ms. Yu Wing Sze (余詠詩), aged 41, was appointed as our joint company secretary in September 2023. She is a manager of the listing services division at TMF Hong Kong Limited, a company providing corporate accounting and corporate secretarial services in Hong Kong. She has over 15 years of working experience in company secretarial profession and has been serving as the company secretary of a number of listed companies in Hong Kong.

Ms. Yu is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Yu holds a bachelor's degree in business administration from The Chinese University of Hong Kong.

Pursuant to Rule 3.28 of the Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, with regards to the qualifications of company secretary. For further details of this waiver application, see "Waivers from Strict Compliance with the Listing Rules — Appointment of Joint Company Secretaries" in this document.

BOARD COMMITTEE

Strategy Committee

The main functions of strategy committee of our Company ("**Strategy Committee**") are to conduct research and provide recommendations on our Company's long-term development strategies and major investment decisions.

Our Strategy Committee comprises of five members, namely Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Sha Nali, Mr. Wang Zegang and Ms. Jiang Liying. Mr. Wang Zhongshan is the chairman of our Strategy Committee.

Audit Committee

We have established an audit committee of our Company ("**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The main functions of our Audit Committee are to provide independent advice on the effectiveness of our financial reporting, risk management and internal control systems, supervise the audit process, formulate and review policies and perform other duties and responsibilities assigned by our Board.

Our Audit Committee comprises of three members, namely Mr. Wang Gongyong, Mr. Huang Fangliang and Mr. Bai Xianyue. Mr. Wang Gongyong is the chairman of our Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee of our Company ("**Remuneration and Appraisal Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our Remuneration and Appraisal Committee are: (i) to formulate and review policies and structures relating to the remuneration of Directors and senior management and to establish formal and transparent procedures for formulating such remuneration policies and to advise our Board on the above matters; (ii) to determine the specific terms of the remuneration package for each executive Director and senior management; and (iii) to approve performance-based remuneration in accordance with our Company's goals and objectives resolved by the Board from time to time.

The Remuneration and Appraisal Committee comprises of three members, namely Mr. Huang Fangliang, Mr. Wang Gongyong and Ms. Jiang Liying. Mr. Huang Fangliang is the chairman of our Remuneration and Appraisal Committee.

Nomination Committee

We have established a nomination committee of our Company ("**Nomination Committee**") with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of our Nomination Committee are (i) to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes; (ii) to identify and select individuals nominated for directorships or make recommendations to our Board on such matters; (iii) to ensure diversity on the Board; (iv) to assess the independence of our independent non-executive Directors; and (v) to make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of Directors and succession planning for Directors.

The Nomination Committee comprises of three members, namely Mr. Sha Nali, Mr. Wang Zegang and Mr. Huang Fangliang. Mr. Sha Nali is the chairman of our Nomination Committee.

BOARD DIVERSITY 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. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to at our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, R&D, sales and marketing, legal compliance and corporate investment and finance. The ages of our Directors range from 44 years old to 74 years old, and we have both male and female representatives on our Board. Our Nomination Committee will review and assess the composition of our Board and make recommendations to our Board on appointment of members of our Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, culture and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on our Board.

We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to at our Board and senior management levels. We will encourage current Board members, particularly members of our Nomination Committee, to recommend female candidates for election to our Board and take other actions to promote diversity on our Board, such as inviting some of our outstanding female staff at the middle to senior level to attend and observe Board meetings. This will allow our Board to understand more about these potential female candidates before they are nominated to our Board and provide opportunities for potential female candidates to be prepared for discharging a Director's duties. We will also continue to ensure that there is gender diversity when recruiting staff at the middle to senior level so that we have a pipeline of female senior management and potential successors to our Board in a timely manner to ensure gender diversity on our Board. In particular, we will keep identifying and selecting female individuals with a diverse range of skills, experience and knowledge in different fields who are suitably qualified to become our Board members and maintain at least one female Director and at least 10% female representations in our Board. Our Group will continue to emphasize the training of female talents and provide long-term development opportunities for female employees, including but not limited to business operations, management, accounting and finance, legal and compliance. As such, we are of the view that our Board will be offered chances to identify competent female staff at the middle to senior level to be nominated as a Director in the future with a pipeline of female candidates.

COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited as our compliance advisor upon the [REDACTED] pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 and Rule 19A.06 of the Listing Rules, our compliance advisor will advise us when we consult our compliance advisor 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 under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance advisor shall commence on the [REDACTED] and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

COMPETITION

Save as disclosed in the "Relationship with our Controlling Shareholders — Delineation of Businesses — No competition and clear delineation of business" in this document, each of our Company's Directors confirms that, as of the Latest Practicable Date, he or she did not have any interest in a business, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We expect to comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules after the [REDACTED]. Our Company is of the view that our Board includes a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

For each of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate remuneration (including salaries, allowances, performance-based bonuses, equity-settled share-based payments, and contributions to retirement benefits schemes) of our Directors were approximately RMB4.2 million, RMB3.2 million, RMB3.4 million and RMB1.6 million, respectively. None of our Directors waived or agreed to waive any remuneration arrangements during the aforesaid periods.

For each of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate remuneration (including salaries, allowances, performance-based bonuses, equity-settled share-based payments, and contributions to retirement benefits schemes) of our Supervisors were approximately RMB0.5 million, RMB0.5 million, RMB0.7 million and RMB0.4 million, respectively.

For each of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the five highest paid individuals of our Company include two, one, nil and one Directors or Supervisors, respectively. The aggregate remuneration (including salaries, allowances, performance-based bonuses, equity-settled share-based payments, and contributions to retirement benefits schemes) paid to our Group's five highest paid individuals were approximately RMB5.7 million, RMB4.6 million, RMB5.8 million and RMB2.3 million, respectively, for each of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

Under the current arrangement, the aggregate remuneration (excluding non-cash benefits and performance related bonuses) payable to the Directors and Supervisors for the year ending December 31, 2024 are estimated to be approximately RMB2.8 million and RMB0.9 million, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including the Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

So far as our Directors are aware, (i) as of the Latest Practicable Date, and (ii) immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), the following persons are expected to have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Nature of interest	Description of Shares[1]	Shares held in the total share capital of our Company as of the Latest Practicable Date and immediately prior to the [REDACTED]		Shares held in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
			Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Mr. Wang Zhongshan[2]	Beneficial owner/ interest in controlled corporation	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Ms. Zhang Xiuqin[2]	Beneficial owner/ interest in controlled corporation	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Mr. Wang Guoxin[2]	Interest in controlled corporation	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Ms. Wang Na[2]	Interest in controlled corporation	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Jinmeng Partnership[2]	Beneficial owner	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Jinyuan Partnership[2]	Beneficial owner	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Jinlong Partnership[2]	Beneficial owner	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]
Tianjin Yuanjinmeng[2]	Beneficial owner	[REDACTED] Shares (L)	204,760,000	89.39%	[REDACTED]	[REDACTED]

Notes:

(1) The Letter "L" denotes the person's long position in our Shares.

(2) As of the Latest Practicable Date, our Company was owned as to approximately 28.27% by Mr. Wang Zhongshan, 26.19% by Ms. Zhang Xiuqin, 9.60% by Jinmeng Partnership, 3.93% by Jinyuan Partnership, 3.93% by Jinlong Partnership and 17.46% by Tianjin Yuanjinmeng.

Ms. Zhang Xiuqin is the spouse of Mr. Wang Zhongshan. Mr. Wang Guoxin is the son of Mr. Wang Zhongshan and Ms. Zhang Xiuqin, and Ms. Wang Na is the daughter of Mr. Wang Zhongshan and Ms. Zhang Xiuqin. As such, Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin and Ms. Wang Na are deemed to be interested in the Shares, directly or indirectly, held by each other.

Tianjin Yuanjinmeng was owned as to 50% by Mr. Wang Guoxin and 50% by Ms. Wang Na. Therefore, Mr. Wang Guoxin and Ms. Wang Na are deemed to be interested in the Shares directly held by Tianjin Yuanjinmeng.

Jinmeng Partnership, Jinyuan Partnership and Jinlong Partnership are limited partnerships established in the PRC and are our Employee Shareholding Platforms. Ms. Zhang Xiuqin is the general partner of Jinyuan Partnership and Jinlong Partnership. Mr. Wang Zhongshan is the general partner of Jinmeng Partnership. The voting rights attaching to the Shares held by Jinyuan Partnership, Jinlong Partnership and Jinmeng Partnership in our Company are exercised by their respective general partners (i.e. Mr. Wang Zhongshan and Ms. Zhang Xiuqin). Therefore, Mr. Wang Zhongshan and Ms. Zhang Xiuqin are deemed to be interested in the Shares directly held by Jinyuan Partnership, Jinlong Partnership and Jinmeng Partnership by virtue of the SFO.

Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership, and Tianjin Yuanjinmeng, as a group of Controlling Shareholders, directly or indirectly control an aggregate of approximately 89.39% of our Company's voting rights as of the Latest Practicable Date and immediately prior to the [REDACTED] and approximately [REDACTED] of our Company's voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or a short positions in any Shares or underlying Shares, which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, our registered capital was RMB229,066,666, divided into 229,066,666 [REDACTED] Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately following the completion of the [REDACTED] assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the share capital
[REDACTED] Shares in issue[1]	[REDACTED]	[REDACTED]
[REDACTED] converted from [REDACTED] Shares[2]	[REDACTED]	[REDACTED]
[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00%

Assuming the [REDACTED] is exercised in full, the share capital of our Company upon completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate % of the share capital
[REDACTED] Shares in issue[1]	[REDACTED]	[REDACTED]
[REDACTED] converted from [REDACTED] Shares[2]	[REDACTED]	[REDACTED]
[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00%

Notes:

(1) The [REDACTED] Shares in issue refer to 64,760,000 [REDACTED] Shares held by Mr. Wang Zhongshan, [REDACTED] [REDACTED] Shares held by Ms. Zhang Xiuqin, [REDACTED] [REDACTED] Shares held by Tianjin Yuanjinmeng, [REDACTED] [REDACTED] Shares by Jinmeng Partnership, [REDACTED] [REDACTED] Shares held by Jinyuan Partnership, and [REDACTED] [REDACTED] Shares held by Jinlong Partnership.

(2) Following the completion of the [REDACTED] and subject to the approvals of the CSRC, [REDACTED] [REDACTED] Shares held by Mr. Zhao Duxue (趙篤學), [REDACTED] [REDACTED] Shares held by Ms. Huang Yi (黃怡), [REDACTED] [REDACTED] Shares held by Ms. Zhang Yizhen (張義貞), [REDACTED] [REDACTED] Shares held by Mr. Zhang Jianjun (張建軍), [REDACTED] [REDACTED] Shares held by Tianjin Haikai Xinchuang and [REDACTED] [REDACTED] Shares by CITIC Securities Investment will be converted into [REDACTED] on a one-for-one basis and [REDACTED] on the Stock Exchange for trading.

SHARES OF OUR COMPANY

The [REDACTED], to be issued following the completion of the [REDACTED] and converted from the [REDACTED] Shares, and the [REDACTED] Shares are ordinary Shares in the share capital of our Company, all of which are considered as one class of Shares. Apart from certain qualified domestic institutional [REDACTED] in the PRC, qualified PRC [REDACTED] under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold [REDACTED] pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, [REDACTED] generally may not be subscribed for by, or traded between, [REDACTED] of the PRC. [REDACTED] may only be subscribed for and traded in Hong Kong dollars.

[REDACTED] Shares and [REDACTED] are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR [REDACTED] SHARES INTO [REDACTED]

According to the regulations issued by the CSRC and our Articles of Association, the holders of our [REDACTED] Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective [REDACTED] Shares to [REDACTED], and such converted Shares may be [REDACTED] and traded on an overseas stock exchange provided that the conversion, [REDACTED] and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. Additionally, such conversion, trading and [REDACTED] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their [REDACTED] Shares.

If any of the [REDACTED] Shares are to be converted, [REDACTED] and traded as [REDACTED] on the Stock Exchange, the approvals of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of [REDACTED] Shares into [REDACTED] as set forth below, before any proposed conversion after the [REDACTED], we will apply for the [REDACTED] of all or any portion of the [REDACTED] Shares on the Stock Exchange as [REDACTED] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [REDACTED] register. As the [REDACTED] of additional Shares after the [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the [REDACTED] and trading of such converted Shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant [REDACTED] Shares will be withdrawn from the [REDACTED] Share register, and our Company will re-register such Shares on the [REDACTED] register maintained in Hong Kong and instruct the [REDACTED] to issue [REDACTED] certificates. Registration on the [REDACTED] register of our Company will be on the conditions that (i) the [REDACTED] lodges with the Stock Exchange a letter confirming the entry of the relevant [REDACTED] on the [REDACTED] register and the due dispatch of [REDACTED] certificates; and (ii) the admission of the [REDACTED] to be traded on the Stock Exchange complies with the Listing Rules and the [REDACTED] and the [REDACTED] in force from time to time. Until the converted Shares are re-registered on the [REDACTED] register of our Company, such Shares would not be [REDACTED] as [REDACTED].

RESTRICTIONS OF SHARE TRANSFER

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the [REDACTED]. Accordingly, Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and shall not be transferred for a period of one year from the [REDACTED].

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are [REDACTED] and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, see "[REDACTED].

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our general Shareholders' meeting is required, see "Appendix VI — Summary of Articles of Association".

You should read this section in conjunction with our consolidated financial information as set out in Appendix I to this document. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are a gold jewellery Original Brand Manufacturer ("**OBM**"), focusing on markets in third and lower tier cities in the PRC. According to Frost & Sullivan, as of the Latest Practicable Date, we were one of the very few with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, R&D, product design, manufacturing to retailing through our diversified sales network. Our operation covers the aforementioned key stages of the gold jewellery industry. We are committed to quality control in each stage.

We primarily sell our products through our franchise network. In addition, we also offer our products to our customers through self-operated stores and online sales via e-commerce platforms. As of June 30, 2024, we have established a comprehensive sales channels covering franchise network of 2,850 franchise stores operated by 1,670 franchisees, seven self-operated direct service centers and 17 provincial-dealers, as well as 36 self-operated stores and online stores on major e-commerce platforms. We have a well established market position in third and lower tier cities in the PRC, which are markets with high growth potential according to Frost & Sullivan. For further details of our sales and distribution network and arrangements with our franchisee, see "Business — Sales and Distribution Channels" of this document.

We generally adopt a cost-plus pricing policy for our gold jewellery and K-gold products. When we sell our gold products and K-gold, we normally charge customers with an amount based on the prevailing market price of gold and crafting fees, multiplied by the weight of gold of the products. Crafting fees represent mark-ups on top of the costs of our products, which vary by product and by the transaction type.

Based on our gold price exposure management strategy, we implement measures including procurement through gold loans and Au (T+D) contracts to mitigate the risks associated with fluctuations in gold prices. These measures are carefully assessed based on funds available, our gold inventory position and projected sales needs. Au (T+D) is a standardized contract employed by the Shanghai Gold Exchange. It involves the delivery of a predetermined amount of gold at a predetermined price on a specified future date.

During the Track Record Period, our revenue decreased from RMB16,871.0 million for the year ended December 31, 2021 to RMB15,724.2 million for year ended December 31, 2022, and increased to RMB20,208.6 million for the year ended December 31, 2023. During the same periods, our revenue generated from the sales of gold jewellery and other gold products amounted to 97.5%, 97.9% and 98.4%, respectively. Our net profit decreased from RMB224.5 million for the year ended December 31, 2021 to RMB180.8 million for year ended December 31, 2022 and increased to RMB233.5 million for the year ended December 31, 2023. Our revenue for the six months ended June 30, 2024 amounted to RMB9,979.7 million, representing an increase of RMB663.5 million or a period-to-period increase of 7.1% when compared to that for the six months ended June 30, 2023. Our net profit for the six months ended June 30, 2024 amounted to RMB52.3 million, which decreased by RMB53.7 million when compared to that of the six months ended June 30, 2023.

BASIS OF PRESENTATION

The historical financial information of the Track Record Period incorporates the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control over the subsidiary until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Gold supply and pricing

Our ability to source steady supply of gold materials is crucial to our business operation. The material costs of gold for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 constituted 99.0%, 99.2%, 99.5% and 99.6% of our material cost during the respective year/period.

We generally adopt a cost-plus pricing policy. Our jewellery products are priced based on two pricing components, which are the raw material costs and crafting fees. Changes to gold material prices also affect our results of operations. Our jewellery products that are mainly made of gold are subject to changes in market prices. An increase in gold material price will directly increase our procurement cost. If there is an increase in the prevailing gold market price, we will adjust our selling gold prices based on the current market price to ensure that our customers are charged accordingly. As such, we have generally been able to pass-on gold price changes to our customers.

According to Frost & Sullivan, the continuous rise in the gold price will motivate consumers' investment enthusiasm, thereby promoting the demand for gold jewellery products. Driven by customers' "buy on the upside" philosophy for gold, the demand for gold jewellery is likely to increase with the rising gold price. Hence, gold jewellery manufacturing companies will receive more orders from either retailers or individual customers in light of the rising trend of gold price.

According to gold price quoted on the Shanghai Gold Exchange, the annual average daily closing price for Au9995 in the PRC experienced a general upward trend, which increased from RMB270.9/g in 2018 to RMB449.8/g in 2023, and further to the average daily closing price of RMB520.9/g for the six months ended June 30, 2024 due to several factors, including the volatility in the global political and economic environment, the strong demand for gold, particularly with the jewellery industry. Especially in 2020, due to the outbreak of COVID-19, the international economic environment was faced with a lot of uncertainty. Furthermore, the geopolitical conflict and the rapid inflation have pushed up the demand for gold to hedge risks and the average daily closing price for Au9995 hit RMB522.9/g for the six months June 30, 2024. The trend of the average daily closing price for Au9999 was in line with that of Au9995 but was slightly higher, growing from RMB271.1/g in 2018 to RMB449.9/g in 2023 and further to the average daily closing price of RMB520.9/g for the six months ended June 30, 2024.

We use gold loans and Au (T+D) contracts to hedge against the financial impact of gold price fluctuations. For details, see "Business — Our procurement/suppliers — Procurement of Gold — (b) Gold Price exposure management to manage fluctuations of raw material price — Adoption of Au (T+D) contracts" and "Business — Gold Loans".

The following tables demonstrate the sensitivity to a reasonably possible change in the gold price during each year/period of our profit before tax during the Track Record Period based on the assumptions that (1) the gold price at the beginning of each year/period remains unchanged; (2) the daily gold price fluctuates similarly but to a larger extent when compared to the original fluctuation throughout each year/period, which then resulted in the gold price increase or decrease by the end of each year/period set out in below table; (3) the Company's inventory level and short position do not fluctuate significantly during each year/period; and (4) all other variables held constant:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gold price increase/decrease by end of each year/period by:					
+5%	(44,234)	(74,487)	(96,170)	(53,588)	(87,751)
+10%	(88,469)	(148,973)	(192,340)	(107,175)	(175,501)
+20%	(176,938)	(297,947)	(384,679)	(214,350)	(351,003)
–20%	176,938	297,947	384,679	214,350	351,003
–10%	88,469	148,973	192,340	107,175	175,501
–5%	44,234	74,487	96,170	53,588	87,751

Outbreak of pandemics, natural disasters and other calamities

As a gold jewellery brand with franchise stores spreading across the PRC as of June 30, 2024, our business, financial conditions and results of operations depend on operations.

According to Frost & Sullivan, during the Track Record Period, the COVID-19 pandemic negatively impacted the retail industry globally, which in turn adversely affected our business, financial conditions and results of operations. The processing volume of gold jewellery in the PRC fluctuated in the past few years. Influenced by the economic condition and the rising gold price, the processing volume of gold jewellery decreased from 749.4 tons in 2018 to 685.3 tons in 2019. In 2020, the outbreak of the pandemic caused the processing volume to slump to 510.0 tons. The processing volume rebounded in 2021 since effective control measures were taken by the government, which led to the swift recovery of the offline manufacturing process. The processing volume dipped again with the resurgence of the pandemic in 2022. Looking forward, as the government has eased the COVID-19 curbs since the end of 2022, the market size of the gold jewellery industry in terms of processing volume is expected to grow at a CAGR of 6.0% from 2022 to 2027 and reach 913.0 tons in 2027.

Specifically, according to Frost & Sullivan, affected by the COVID-19 pandemic, a large number of offline jewellery retail stores in the PRC suspended their business and jewellery sales stalled. As a result, the jewellery market size in the PRC witnessed a decline in 2022.

According to Frost & Sullivan, restrictive measures controlling the spread of the COVID-19 virus have generally been uplifted since December 2022, and there has been a noticeable uptick in infections among people. To the extent that future waves of COVID-19 infections disrupt normal business operations and traveling in markets which we operate, we may face disrupted market demand and operational challenges with our services. We are closely monitoring the occurrence of health pandemics, natural disasters and extraordinary events, and continuously evaluating any potential impact on our business, financial conditions and results of operations.

Economic conditions of the PRC

During the Track Record Period, we derived substantially all our revenue from sales in the PRC. Our business is particularly sensitive to the economic development and the purchasing power of consumers in the PRC. Economic growth in the PRC over the past three decades has led to substantial growth in personal disposable income and has resulted in increasing purchasing power and greater demand for discretionary consumer products, according to Frost & Sullivan.

According to Frost & Sullivan, the PRC's economy has boomed over the past decades, and the disposable income per capita and people's living standards are increasing accordingly; Chinese residents' annual disposable income per capita has steadily risen from RMB28.2 thousand to RMB39.2 thousand over the past five years from 2018 to 2023, with a CAGR of 6.8%. During the same period, the consumption structure of Chinese people has also been constantly optimized and upgraded, with the continuous increase of total spending on luxury items, indicating that the quality of life has been steadily improving. Notably, according to Frost & Sullivan, the per capita consumption of gold jewellery in third and lower tier cities underwent rapid growth at a CAGR of 6.3% from 2018 to 2023 and reached RMB663.2 in 2023. Hence, the rising consumption power in lower tier cities will further fuel the growth of the gold jewellery market in the PRC.

According to Frost & Sullivan, the processing volume of gold jewellery in the PRC fluctuated in the past few years. The overall gold jewellery market sales in the PRC witnessed steady growth from 2018 to 2023. Overall, the sales revenue of the PRC jewellery market increased from RMB580.0 billion in 2018 to RMB820.0 billion in 2023, representing a CAGR of 7.2%.

During the Track Record Period, our revenue decreased by RMB1,146.8 million or 6.8% from RMB16,871.0 million to RMB15,724.2 million for the year ended December 31, 2022 and increased by RMB4,484.4 million or 28.5% to RMB20,208.6 million for the year ended December 31, 2023. In addition, our revenue increased by RMB663.5 million or 7.1% from RMB9,316.2 million for the six months ended June 30, 2023 to RMB9,979.7 million for the six months ended June 30, 2024. As shown, our revenue during the Track Record Period largely followed the trend of the gold jewellery market of the PRC and was generally affected by economic conditions.

We expect that the continuing economic growth in the PRC will translate into an increase in consumer spending and demand for luxury goods. Accordingly, we expect the economic conditions and the level of consumer spending in the PRC to continue to have a significant impact on our business, financial conditions and results of operations.

Number of franchise stores and expansion of our sales and distribution network

Our revenue is derived primarily from the sales of gold jewellery products through our franchise network, which comprises franchise stores under our brand and sell our products to consumers. We also sell our products via our self-operated stores and e-commerce platforms. Our revenue is primarily driven by the scale of our franchise network and our future revenue growth depends on our ability to attract franchisees to join our sales and distribution network and open new stores and expand the coverage of our sales and distribution network. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our store network included 2,680, 2,743, 2,817 and 2,850 franchise stores and 31, 32, 35 and 36 self-operated stores, respectively. While it generally takes time for the new stores to ramp up, we believe that we are able to leverage our expanding sales and distribution network to achieve economies of scale and further enhance our brand awareness.

We provide incentive support for provincial-dealers, franchisees and their stores. For example, we offer a variety of services to our franchisees such as training, guidance, branding and marketing. We also offer promotional events together with our franchisees to attract consumers. Our managers supervise and provide guidance for franchisees with respect to market development and store operating strategies. As a result, our franchisees' operating capability has been continuously improving, with some of them starting from operating a single store to operating multiple stores.

We plan to continue to grow our presence in the PRC by expanding our geographic coverage and deepening our market penetration. We expect to open more stores in new geographic regions to cover more third and lower tier cities in the PRC, offering quality high-purity gold jewellery to the general public across the PRC. For details, see "Business — Our Strategies".

Maintaining a brand image that appeals to consumers

We derive substantially all of our revenue from gold jewellery products, and we believe that the brand image of a jewellery manufacturer is an important factor affecting consumers' selection. The strength of our brand is based in part on our long history and track record consolidated with our reputation for providing trusted jewellery with distinctive product designs that appeal to a wide range of consumers. We continually develop and promote a wide range of jewellery to suit consumer preferences.

According to the Frost & Sullivan, gold jewellery is trending among millennials and Gen Z in the PRC nowadays. The proportion of the younger generation in the gold jewellery consumer group is increasing substantially in the PRC. According to the same source, an increasing number of younger consumers buy gold jewellery for self-wear instead of specific consumption scenarios such as children gifting, family gifting, couple gifting, holiday-related occasions, and wedding purchases.

A significant part of our success has been and will continue to depend on our ability to maintain our strong brand image and at the same time continue to design and produce a wide range of quality jewellery products that meet continuously changing consumer preferences.

Seasonality

We experience seasonal fluctuations in demand for our products. The peak seasons include the PRC National Day holiday, the period from Chinese New Year till Valentine's Day, and the period during our "One RMB Exchange" promotion which is typically in June to September. As a result, we usually record higher sales in first quarter and third quarter of each calendar year where there are holiday seasons such as Chinese New Year and the October Golden Week. As a result, comparisons of our sales and operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate according to seasonality.

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

We have identified certain accounting policies that are material to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions. We set forth below those accounting policy information that we believe are material to us or involve critical accounting judgments and key sources of estimation uncertainty used in the preparation of our Group's financial information. Our material accounting policy information, critical accounting judgments and key sources of estimation uncertainty, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 4 and 5 to the historical financial information of the Accountants' Report set out in Appendix I to this document, respectively.

Material Accounting Policy Information

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Non-cash consideration

The Group receives used gold products from franchisees, provincial-dealers and consumers to be used in manufacturing new gold products. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the used gold products. The Group estimates the fair value of the non-cash consideration by reference to the real-time trading price of the Shanghai Gold Exchange on the relevant trading day.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Property, plant and equipment

Property, plant and equipment are tangible assets that 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 statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related asset is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost of the relevant property and the related accumulated depreciation and impairment loss (if any) (including the relevant leasehold land classified as right-of-use assets) are transferred to investment property at the date of transfer.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**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 recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets

Financial assets are subsequently measured at amortised cost:or FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and bills payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

Gold loan

Gold loans representing the obligation to deliver gold are classified as liabilities at FVTPL at initial recognition.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition for sales settled in used gold products

The Group receives used gold products from franchisees and consumers to be used in manufacturing new gold products. There is no obligation or commitment for the Group to accept the used gold products. Except for the form of consideration, there's no difference between this arrangement and an arrangement in which our customers makes a cash payment. The directors of the Company apply judgment to assess whether or not the Group obtains control of customer-provided materials. After careful analysis of all relevant facts and circumstances, it is concluded that the Group obtains control of the used gold products. As a result, the fair value of the non-cash consideration is included in the transaction price.

The Group estimates the fair value of the non-cash consideration by reference to the real-time trading price of the Shanghai Gold Exchange on the relevant trading day.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 41 of the Appendix I to this document.

Net realizable value of inventories

The Group's inventories are measured at the lower of cost and net realizable value. The net realizable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion costs necessary to make the sale. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature. Changes in these estimates will affect the carrying value of inventories and profit in subsequent years. The Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories is detailed in note 23 to the consolidated financial statements of the Appendix I to this document.

Sales return

The Group makes a reasonable estimate of the return rate of diamond inlaying jewellery sold. The Group has developed a statistical model for forecasting sales returns. The model used the historical return data to come up with expected return percentages. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group updates its assessment of expected returns half yearly and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. The amount recognized as refund liabilities are disclosed in Note 34 of the Appendix I to this document.

Deferred tax assets

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

RESULTS OF OPERATIONS

The following table summarizes the consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in Appendix I to this document.

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Revenue	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744
Cost of sales	(16,334,559)	(14,964,967)	(19,131,139)	(8,788,177)	(9,362,238)
Gross profit	536,441	759,248	1,077,460	528,036	617,506
Other income	27,430	28,401	27,773	7,502	10,648
Distribution and selling expenses	(176,794)	(194,473)	(257,328)	(128,337)	(118,939)
Research and development expenses	(10,723)	(13,533)	(17,470)	(7,442)	(11,258)
Administrative expenses	(75,947)	(68,275)	(79,770)	(33,521)	(40,471)
Other expenses	(17,014)	(11,465)	(8,499)	(4,997)	(2,098)
Other gains and losses, net	89,839	(208,961)	(370,014)	(195,592)	(345,725)
Finance costs	(64,161)	(56,868)	(63,134)	(31,142)	35,432
Net reversal of impairment losses/ (impairment losses) under expected credit loss model	(13,197)	10,087	(1,076)	(531)	(238)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before tax	295,874	244,161	305,113	133,976	66,861
Income tax expense	(71,376)	(63,405)	(71,641)	(27,989)	(14,609)
Profit and total comprehensive income for the year/period	224,498	180,756	233,472	105,987	52,252
Profit/(loss) and total comprehensive income/(expense) for the year/period attributable to					
Owners of the Company	220,618	180,825	230,375	104,167	47,433
Non-controlling interests	3,880	(69)	3,097	1,820	4,819
	224,498	180,756	233,472	105,987	52,252
Earnings per share					
Basic and diluted (RMB)	0.98	0.80	1.01	0.45	0.21

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue amounted to RMB16,871.0 million, RMB15,724.2 million, RMB20,208.6 million and RMB9,979.7 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. The major components of our sales were gold jewellery and other gold products, which accounted for approximately 97.5%, 97.9%, 98.4% and 98.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

We typically adjust selling price of our gold jewellery and other gold products in accordance with prevailing gold market price at the time of sales. As such, our revenue will also fluctuate according to gold price movement. To manage gold price fluctuation, we use Au (T+D) contracts which are purchased on Shanghai Gold Exchange and gold loans obtained from commercial banks as economic hedge of our commodity price risk and our exposure to variability in fair value changes attributable to price fluctuation risk associated with gold products. We settle the Au (T+D) contracts on a daily basis. For details, see "Business — Our Procurement/Suppliers — Procurement of Gold — (b) Gold price exposure management to manage fluctuations of raw material price — Adoption of Au (T+D) contracts".

Revenue breakdown by products and services

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

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Gold jewellery and other gold products	16,457,308	97.5	15,392,835	97.9	19,877,366	98.4	9,137,879	98.1	9,834,885	98.5
K-gold jewellery, diamond inlaying jewellery and other products	296,605	1.8	226,187	1.4	225,513	1.1	127,648	1.4	99,925	1.0
Services	117,087	0.7	105,193	0.7	105,720	0.5	50,686	0.5	44,934	0.5
Total	**16,871,000**	**100.0**	**15,724,215**	**100.0**	**20,208,599**	**100.0**	**9,316,213**	**100.0**	**9,979,744**	**100.0**

During the Track Record Period, we primarily derived our revenue from sales of goods and provision of services. Our sales of goods include (i) sales of gold jewellery and other gold products; and (ii) sales of K-gold jewellery, diamond inlaying jewellery and other products. While our provision of services include annual franchise fees, one-off franchise fees, brand admittance fees and others. Our sales of goods constituted a substantial portion of our revenue, amounting to 99.3%, 99.3%, 99.5% and 99.5% of our total revenue for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Sales of gold jewellery and other gold products

Sales of gold jewellery and other gold products were our main source of revenue during the Track Record Period. Our revenue from sales of gold jewellery and other gold products was RMB16,457.3 million, RMB15,392.8 million, RMB19,877.4 million and RMB9,834.9 million, representing 97.5%, 97.9%, 98.4% and 98.5% of our total revenue for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our gold jewellery and other gold products include jewellery and gold bullion. The fluctuation of our sales of gold jewellery and other gold products during 2021 and 2022 was generally a result of the effects associated with the pandemic. Our sales increased materially in 2021 when economic activities recovered and our sales decreased when there were more stringent preventive measures leading to limited operation in fourth quarter of 2022. For 2023, our revenue increase was driven by the general increase of gold price and an increase in sales volume of gold products, while for the six months ended June 30, 2024, our revenue increase was driven by the general increase of gold price. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 significantly increased from RMB392.2/g in 2022 to RMB449.9/g in 2023, and further increased to the average daily closing price of RMB520.9/g for the six months ended June 30, 2024. Comparatively, according to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 increased from RMB374.5/g in 2021 to RMB392.2/g in 2022. The effect of increase in gold price on our revenue derived from sales of gold jewellery and other gold products was offset by the decrease in sales volume of gold products, which was caused by the decline in consumption sentiment of gold jewellery and other gold products as a result of the increase in gold price.

Gold jewellery refers to our high-purity gold jewellery, including gold bracelet, necklace, ring and earrings. Our gold jewellery is usually priced with two components, namely the gold price and the crafting fees. Our gold jewellery sales were affected by the fluctuation gold price during the Track Record Period.

Sales of K-gold jewellery, diamond inlaying jewellery and other products

We also sell K-gold jewellery, diamond inlaying jewellery and other products such as spring clasps of K-gold, silver, platinum, copper and stainless-steel. Spring clasps and accessories are usually fixed priced products without splitting the cost of materials and crafting fees. Our revenue from the K-gold jewellery, diamond inlaying jewellery and other products were RMB296.6 million, RMB226.2 million, RMB225.5 million and RMB99.9 million, representing 1.8%, 1.4%, 1.1% and 1.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our sales of K-gold jewellery, diamond inlaying jewellery and other products decreased for the year ended December 31, 2022 because we strategically shifted our focus to high-purity gold jewellery. The sales amount then remained stable for the year ended December 31, 2023. In addition, our sales of K-gold jewellery, diamond inlaying jewellery and other products decreased by RMB27.7 million from RMB127.6 million for the six months ended June 30, 2023 to RMB99.9 million for the six months ended June 30, 2024, due to the general decline in consumption sentiment of gold-related products as a result of the increase in gold price.

Services

We received service fees from various sources including annual franchise fees, one-off franchise fees, brand admittance fees and others. Our revenue from the services was RMB117.1 million, RMB105.2 million, RMB105.7 million and RMB44.9 million, representing 0.7%, 0.7%, 0.5% and 0.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our revenue derived from provision of services decreased by 11.4% or RMB5.8 million from RMB50.7 million for to RMB44.9 million. Such decrease was primarily attributable to the decrease in brand service fee we collected from franchisees for provision of product labeling services. With the general decline in consumption sentiment of gold jewellery, our sales volume for the six months ended June 30, 2024 decreased when compared with the corresponding period in 2023. Accordingly, the demand for product labeling decreased, thereby resulting in a decrease in the brand service fee we charged thereof. We recorded a decrease in revenue derived from provision of K-gold processing subcontracting service due to the general decrease in market demand for gold and gold-related products.

Revenue breakdown by distribution channels

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

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Franchise network	14,772,630	87.6	14,836,284	94.4	18,923,195	93.7	8,851,440	95.1	8,207,527	82.3
— Franchisees	*9,409,225*	*55.8*	*9,629,142*	*61.3*	*12,273,776*	*60.8*	*5,906,356*	*63.5*	*5,755,003*	*57.7*
— Provincial-dealers	*5,363,405*	*31.8*	*5,207,142*	*33.1*	*6,649,419*	*32.9*	*2,945,084*	*31.6*	*2,452,524*	*24.6*
E-commerce sales	1,608,263	9.5	364,473	2.3	750,705	3.7	172,095	1.8	1,318,687	13.2
— Self-operated online stores	*79,108*	*0.5*	*233,641*	*1.5*	*651,431*	*3.2*	*118,279*	*1.3*	*412,632*	*4.1*
— Sales to platforms	*1,529,155*	*9.0*	*130,832*	*0.8*	*99,274*	*0.5*	*53,816*	*0.5*	*906,055*	*9.1*
Self-operated stores	356,146	2.1	366,488	2.3	412,216	2.0	226,708	2.4	200,108	2.0
Others	133,961	0.8	156,970	1.0	122,483	0.6	65,970	0.7	253,422	2.5
Total	**16,871,000**	**100.0**	**15,724,215**	**100.0**	**20,208,599**	**100.0**	**9,316,213**	**100.0**	**9,979,744**	**100.0**

We generated revenue from four major distribution channels, namely: (i) franchise network; (ii) e-commerce sales; (iii) self-operated stores; and (iv) others. We derived a material portion of our revenue from sales through our franchise network, amounting to approximately 87.6%, 94.4%, 93.7% and 82.3% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Franchise network

Revenue from our franchise network included revenue derived from direct sales to franchisees and revenue derived from provincial-dealers. We had established a franchise network covering 2,850 franchise stores operated by 1,670 franchisees as of June 30, 2024. We have set up self-operated direct service centers and appointed provincial-dealers which were responsible for distribution of our products to franchisees in their respective regions. As of June 30, 2024, we had seven self-operated direct service centers that were directly managed and operated by us, and we had appointed 17 provincial-dealers.

Our revenue from direct sales to franchisees was RMB9,409.2 million, RMB9,629.1 million, RMB12,273.8 million and RMB5,755.0 million, representing 55.8%, 61.3%, 60.8% and 57.7% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our revenue from sales to provincial-dealers was RMB5,363.4 million, RMB5,207.1 million, RMB6,649.4 million and RMB2,452.5 million, representing 31.8%, 33.1%, 32.9% and 24.6% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. For the six months ended June 30, 2024, we recorded a decrease in revenue derived from our franchise network as a result of a general decline in consumption sentiment of gold products.

The revenue contribution of sales to our franchise network, including that from both provincial-dealers and franchisees, was 87.6%, 94.4%, 93.7% and 82.3% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. The decrease in such revenue contribution for the six months ended June 30, 2024 when compared to the three years ended December 31, 2023 was primarily attributable to (i) the decline in consumption sentiment of gold products and (ii) the increase in revenue derived from e-commerce sales.

Under our franchise network management structure, all sales to our franchisees and provincial-dealers are buyout sales. All franchisees are required to sign franchise agreements with us for each franchise store, establishing a seller and buyer relationship rather than a principal and agent relationship. During the Track Record Period, provincial-dealers were our major customers in terms of their respective sales amount, but revenue we derived from sales to franchisees through our self-operated direct service centers in aggregate outnumbered that of revenue derived from provincial-dealers in aggregate.

E-commerce sales

We adopt two types of e-commerce sales model, namely self-operated online stores and sales to platforms.

Our revenue from e-commerce sales was RMB1,608.3 million, RMB364.5 million, RMB750.7 million and RMB1,318.7 million, representing 9.5%, 2.3%, 3.7% and 13.2% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Under our self-operated online stores model, we sell directly to consumers through establishing our online flagship stores on popular e-commerce platforms such as Tmall, JD.com, and PinDuoDuo. Consumers place orders through our online flagship stores on the e-commerce platforms, and pay for the jewellery products via the platform's payment gateway. Payments are automatically credited to our e-commerce account once the order is confirmed. We then deliver the goods to consumers, and provide after-sales services and issue invoices to them as required. Our revenue from self-operated online stores was RMB79.1 million, RMB233.6 million, RMB651.4 million and RMB412.6 million, representing 0.5%, 1.5%, 3.2% and 4.1% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we had operation on 11, 11, 14 and 12 self-operated online stores, respectively. The increase for the year ended December 31, 2023 was mainly due to our sales through our online flagship store on JD.com, which in turn, was largely attributable to an increase in demand following the granting of consumption vouchers by a government authority. For the six months ended June 30, 2024, our revenue derived from self-operated online stores amounted to RMB412.6 million, representing a period-to-period increase of RMB294.4 million or 248.9%. Such increase was primarily attributable to promotion events on major e-commerce retail platforms such as Tmall.com and JD.com during May and June 2024, leading to an increase in our revenue derived therefrom.

Under our sales to platforms model, we sell our product directly to the e-commerce platforms and they settle with us accordingly. We deliver the goods to the warehouses of the e-commerce platforms and they are responsible for product promotion, order management and delivery. Consumers place orders and pay directly to the e-commerce platforms and the e-commerce platforms arrange delivery and provide after-sales services as necessary, whereas we provide after-sales services to the e-commerce platforms in accordance with our contractual obligations. The e-commerce platforms settle with us on a regular basis following the agreed billing period. Our revenue from sales to platforms was RMB1,529.2 million, RMB130.8 million, RMB99.3 million and RMB906.1 million, representing 9.0%, 0.8%, 0.5% and 9.1% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. The significant increase in the year ended December 31, 2021 and for the six months ended June 30, 2024 was mainly due to our sales of gold bullion to a leading PRC online discount retailer, Vipshop for a promotion event.

Self-operated stores

Our revenue from self-operated stores was RMB356.1 million, RMB366.5 million, RMB412.2 million and RMB200.1 million, representing 2.1%, 2.3%, 2.0% and 2.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. For details, see "Business — Sales and distribution channels — Offline Sales — (c) Self-operated stores".

Others

Our revenue from others was RMB134.0 million, RMB157.0 million, RMB122.5 million and RMB253.4 million, representing 0.8%, 1.0%, 0.6% and 2.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Others include revenue in relation to subcontracting production for independent third party and to tailor-make products for specific customers.

Overall, our revenue contributed by others represented an immaterial amount of our revenue contribution during the Track Record Period. We recorded an increase in our revenue from others during the six months ended June 30, 2024 as a result of (i) an increase in our revenue from tailor-made production by RMB59.1 million or 138.4% from RMB42.7 million for the six months ended June 30, 2023 to RMB101.8 million for the six months ended June 30, 2024, and (ii) sales of gold raw materials to an Independent Third-party.

Cost of sales

The following table sets forth the breakdown of our cost of sales during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Cost of sales	Percentage of cost of sales	Cost of sales	Percentage of cost of sales	Cost of sales	Percentage of cost of sales	Revenue	Percentage of revenue	Cost of sales	Percentage of cost of sales
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Material costs	16,182,592	99.1	14,817,208	99.0	18,916,211	98.9	8,686,829	98.9	9,254,701	98.9
Staff costs	66,948	0.4	67,045	0.4	81,571	0.4	38,761	0.4	41,408	0.4
Overheads	48,659	0.3	56,749	0.4	87,650	0.5	37,308	0.4	48,866	0.5
Subcontracting	36,360	0.2	23,965	0.2	45,707	0.2	25,279	0.3	17,263	0.2
Total	**16,334,559**	**100.0**	**14,964,967**	**100.0**	**19,131,139**	**100.0**	**8,788,177**	**100.0**	**9,362,238**	**100.0**

Our cost of sales mainly represented material costs, which contributed approximately 99.1%, 99.0%, 98.9% and 98.9% of our total cost of sales for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our cost of sales mainly fluctuated with our sales volume and gold price, as gold contributed a substantial majority of our material costs. The increase in staff costs and overhead in 2023 was mainly due to (i) a rise in our sales volume from 43,025.6 kg in 2022 to 48,066.6 kg in 2023, leading to higher compensation costs, and (ii) our relocation to the new production facility in 2023, where we hired additional production staff and incurred more overhead expenses.

Our subcontracting costs primarily consist of payments made to our entrusted external OEMs for manufacturing products. The following table sets forth the breakdown of our subcontracting costs by different products:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gold jewellery	10,997	6,637	33,022	15,611	12,230
K-gold jewellery	5,160	3,472	2,396	2,620	1,699
Diamond inlaying jewellery and other products	20,203	13,856	10,289	7,048	3,334
Total:	**36,360**	**23,965**	**45,707**	**25,279**	**17,263**

During the Track Record Period, 96.8%, 97.8%, 89.9% and 92.8% of our gold products and 92.3%, 92.8%, 99.8% and 98.5% of our K-gold products were produced by our self-operated production facilities, respectively. While our outsourcing rate was materially lower than our self-production rate during the Track Record Period, because the average costs per gram for gold jewellery and K-gold jewellery produced by external OEMs were higher than those manufactured by our self-operated production facilities, our subcontracting costs constitute a material portion of our cost of sales (excluding the material costs). In 2023, the subcontracting fees for our gold jewellery products increased significantly due to a national franchisee sales conference, which increased subcontracted production to meet the event's product demand. In addition, the subcontracting fees for our K-gold products continued to decrease, which is in line with our reduced sales of K-gold products. We also engaged the external OEMs to process diamond inlaying jewellery and other products, and decrease in subcontracting costs for our diamond inlaying jewellery and other products produced by external OEMs aligns with the decreased sales of such products.

Gross profit and gross profit margin

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit was RMB536.4 million, RMB759.2 million, RMB1,077.5 million and RMB617.5 million and our gross profit margin were 3.2%, 4.8%, 5.3% and 6.2%, respectively.

While our revenue decreased in 2022 when comparing with 2021, the corresponding gross profit increased for the same period. It was primarily due to the increasing trend of gold price during the year ended December 31, 2022, as we procured gold at a low price level before the gold price started to increase while charging our customers with the prevailing market gold price that tend to be higher than our previous purchase cost. Such timing difference between our procurement and sales transactions, coupled with the increasing trend of gold price during the year, resulted in an increase in our gross profit for the year ended December 31, 2022. Our gross profit increased in 2023 compared with 2022, mainly driven by the general increasing trend in gold price and an increase in our sales volume in 2023. Our gross profit for the six months ended June 30, 2024 compared to that of the same period in 2023 increased mainly because of the general increasing trend in gold price.

Our pricing mechanism, gross profit and gross profit margin

When we sell our gold products and K-gold, we normally charge customers based on prevailing market price of gold and crafting fees, multiplied by the weight of gold. While gold price varies according to market, crafting fees per product are generally fixed. In terms of proportion, the gold price component is substantially larger than the corresponding crafting fee component for each product. Under our cost-plus basis pricing model, our gross profit per gram of the gold product is calculated as follows:

Selling price of the product = selling gold price + crafting fee for the relevant product

Cost = gold procurement price + other cost of sales

i. In the event that gold procurement price equal to gold component of our product price (selling gold price),

   Gross profit = crafting fee for the relevant product – other cost of sales

ii. In the event that gold procurement price does not equal to gold component of our product price (selling gold price),

Gross profit = gold price differential + crafting fee for the relevant product – other cost of sales

Essentially, our gross profit is composed of the crafting fees and gold price differential between the original gold cost on the procurement day and prevailing gold market price on the sales day. Since the crafting fees are usually fixed, our gross profit and gross profit margin are significantly influenced by fluctuations in the gold price. Below is an illustration of how our gross profit and gross profit margin may interact with changes in gold prices based on two assumptions:

i. Scenario one: where gold procurement price equals to gold component of our product price (selling gold price); and

ii. Scenario two: where gold procurement price does not equal to gold component of our product price (selling gold price).

Scenario One: gold procurement price equal to gold component of our product price

Assuming we can substantially match our gold procurement price with the gold component of our product price, where our gross profit is essentially equal to the net amount of the crafting fees and other cost of sales. A higher gold price would generally adversely impact our gross profit margin, and vice versa although the gross profit remains unchanged.

For illustration purpose:

Product: One gram of gold product

Crafting fees: RMB20 per gram

Other cost of sales: RMB5 per gram

- **Market price 1 — gold price is at RMB285 per gram**
  - The selling price for such product would be approximately RMB285 + RMB20 = RMB305
  - Our gross profit for such product would be approximately RMB20 – RMB5 = RMB15
  - Our gross profit margin for such product would be approximately RMB15/RMB305 = approximately **4.9%**

- **Market price 2 — gold price is at RMB290 per gram**
  - o The selling price for such product would be approximately RMB290 + RMB20 = RMB310
  - o Our gross profit for such product would be approximately RMB20 – RMB5 = RMB15
  - o Our gross profit margin for such product would be approximately RMB15/RMB310 = approximately **4.8%**
- **Market price 3 — gold price is at RMB280 per gram**
  - o The selling price for such product would be approximately RMB280 + RMB20 = RMB300
  - o Our gross profit for such product would be approximately RMB20 – RMB5 = RMB15
  - o Our gross profit margin for such product would be approximately RMB15/RMB295 = approximately **5.0%**

The illustration above is based on the assumption that we can fully match the buying and selling prices of the gold sourced for our production, and disregard the possible impact of changes in gold prices on our gross profit. In such cases, our gross profit margin would move in the opposite direction of gold price changes (as illustrated above). However, it is not common for the gold procurement price to match the gold component of the selling price during the Track Record Period. In general, the gold price at the time of sales is either higher or lower than the procurement price.

Scenario Two: gold procurement price does not equal to gold component of our product price

For illustration purpose:

Gold procurement price: RMB285 per gram

Product: One gram of gold product

Crafting fees: RMB20 per gram

Other cost of sales: RMB5 per gram

- **Market price 1 — gold price is assumed to increase to RMB290 per gram**
  - o The selling price for such a product would be approximately RMB290 + RMB20 = RMB310

  - o Our gross profit for such a product would be approximately RMB290 – RMB285 + RMB15 = RMB20
  - o Our gross profit margin for such a product would be approximately RMB20/RMB310 = approximately **6.5**%

- **Market price 2 — gold price is assumed to decrease to RMB280 per gram**
  - o The selling price for such a product would be approximately RMB280 + RMB20 = RMB300
  - o Our gross profit for such a product would be approximately RMB280 – RMB285 + RMB15 = RMB10
  - o Our gross profit margin for such a product would be approximately RMB10/RMB300 = approximately **3.3**%

However, as an OBM, our average inventory turnover days typically ranged from one to two months, and as gold prices fluctuate, we may not be able to fully match the buying and selling prices of gold, thus leading to our gross profit being impacted by changes in gold prices.

When our average gold procurement price is lower than the gold component of our product price

Under such circumstances, both our gross profit and gross profit margin would increase.

When our average gold procurement price is higher than the gold component of our product price

Under such circumstances, both our gross profit and gross profit margin would decrease.

For instance, in 2021, the gold price generally trended downward, leading us to procure gold at a higher price level while charging our customers with the prevailing market gold price that tend to be lower than our previous purchase cost. Such timing difference between our procurement and sales transactions, coupled with the decreasing trend of gold price during the year, resulted in a decrease in our gross profit and negatively affected our gross profit margin for the year ended December 31, 2021 (as further discussed below).

The selling prices of our gold jewellery and other gold products usually reflect the market price of the raw materials in the products and crafting fees. As our products are mainly made of gold, we use gold loans and Au (T+D) contracts as economic hedge to reduce the financial impact of gold price fluctuations. As the economic hedge of Au (T+D) contracts does not directly reflect on our gross profit or gross profit margin, our gross profit and gross profit margin are subject to fluctuations of gold price.

Breakdown by products and services

The following table sets forth a breakdown of our gross profit and gross profit margin by our products and services during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Gold jewellery and other gold products	360,069	2.2	594,885	3.9	920,795	4.6	448,168	4.9	548,272	5.6
K-gold jewellery, diamond inlaying jewellery and other products	70,174	23.7	63,628	28.1	62,087	27.5	32,630	25.6	27,513	27.5
Services	106,198	90.7	100,735	95.8	94,578	89.5	47,238	93.2	41,721	92.8
Total	**536,441**	**3.2**	**759,248**	**4.8**	**1,077,460**	**5.3**	**528,036**	**5.7**	**617,506**	**6.2**

Gold jewellery and other gold products

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit for gold jewellery and other gold products amounted to RMB360.1 million, RMB594.9 million, RMB920.8 million and RMB548.3 million, respectively. The fluctuation were due to factors including gold price fluctuations and timing difference in our sales cycle, limited operation due to pandemic and followed by the recovery of economic activities. Our gross profit margin for sales of gold jewellery and other gold products was 2.2%, 3.9%, 4.6% and 5.6%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. During the Track Record Period, our gross profit and gross profit margin were generally affected by our sales volume, gold price and timing difference between our procurement of gold and sales.

K-gold jewellery, diamond inlaying jewellery and other products

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit for K-gold jewellery, diamond inlaying jewellery and other products amounted to RMB70.2 million, RMB63.6 million, RMB62.1 million and RMB27.5 million, respectively. The gross profit fluctuation was in line with the fluctuation in revenue for K-gold jewellery, diamond inlaying jewellery and other products for the corresponding year or period. Our gross profit margin for sales of K-gold jewellery, diamond inlaying jewellery and other products was 23.7%, 28.1%, 27.5% and 27.5%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our gross profit margin for K-gold jewellery, diamond inlaying jewellery and other products for 2022 increased compared to that of 2021 mainly because of an increase in the gross profit margin of K-gold jewelry products, which in turn, was partially contributed by the increase in gold price in 2022 and the timing difference between our procurement of gold and sales of K-gold products.

Services

Our gross profit for services amounted to RMB106.2 million, RMB100.7 million, RMB94.6 million and RMB41.7 million. Our gross profit margin for service fees was 90.7%, 95.8%, 89.5% and 92.8%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Breakdown by distribution channels

The following table sets forth the breakdown of our gross profit and gross profit margin by distribution channels during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Franchise network	415,712	2.8	631,072	4.3	896,006	4.7	433,352	4.9	493,777	6.0
E-commerce platform	40,051	2.5	28,816	7.9	56,769	7.6	26,149	15.2	48,785	3.7
Self-operated stores	52,397	14.7	61,946	16.9	92,143	22.4	51,443	22.7	48,914	24.4
Others	28,281	21.1	37,414	23.8	32,542	26.6	17,092	25.9	26,030	10.3
Total	**536,441**	**3.2**	**759,248**	**4.8**	**1,077,460**	**5.3**	**528,036**	**5.7**	**617,506**	**6.2**

Franchise network

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit derived from franchise network amounted to RMB415.7 million, RMB631.1 million, RMB896.0 million and RMB493.8 million, respectively. The fluctuation was mainly driven by our revenue and the fluctuation was in line with the trend observed in the revenue from our franchise network. While our revenue from franchise network was relatively stable in 2021 and 2022, the corresponding gross profit increased for the same period. It was primarily due to the increase of gold price during the year ended December 31, 2022, as we procured gold at a relatively low price level before the gold price started to increase while charging our customers with the prevailing market gold price that tend to be higher than our previous purchase cost. Such timing difference between our procurement and sales transactions, coupled with the increase trend of gold price during the year, resulted in an increase in our gross profit from franchise network for the year ended December 31, 2022. For 2023, our gross profit increased due to higher revenue, as driven by an increase in sales volume and an increase in gold price. Our gross profit for the six months ended June 30, 2024 was primarily due to the increase in gold price. Our gross profit margin from franchise network was 2.8%, 4.3%, 4.7% and 6.0%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

E-commerce sales

Our e-commerce sales include sales to both e-commerce platform operators and end customers through our self-operated online stores. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the revenue we derived from sales to e-commerce platform operators amounted to RMB1,529.2 million, RMB130.8 million, RMB99.3 million and RMB906.1 million; whereas the revenue we derived from sales through our self-operated online stores amounted to RMB79.1 million, RMB233.6 million, RMB651.4 million and RMB412.6 million. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit from e-commerce sales amounted to RMB40.1 million, RMB28.8 million, RMB56.8 million and RMB48.8 million, respectively. The relatively higher gross profit for e-commerce sales in 2021 was due to our large quantity sales to a leading PRC online discount retailer, under our sales to platforms. We also recorded a relatively higher gross profit for the year ended December 31, 2023 because of an increase in sales on our online flagship store on JD.com, which in turn, was largely contributed by increase in demand following the granting of consumption vouchers by a government authority. Our gross profit margin from e-commerce sales was 2.5%, 7.9%, 7.6% and 3.7%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. The decrease in our gross profit margin for the six months ended June 30, 2024 was due to the fact that the revenue contribution of sales of gold bullion for such period was relatively higher than that for the six months ended June 30, 2023, as a result of a sales of gold bullion to a leading PRC online retailer, Vipshop for a promotional event. Sales of gold bullion entailed lower gross profit margin as we charge lower crafting fees for gold bullion, accordingly, our overall gross profit margin derived from e-commerce sales decreased.

Self-operated stores

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit for self-operated stores amounted to RMB52.4 million, RMB61.9 million, RMB92.1 million and RMB48.9 million, respectively. Our gross profit for self-operated stores increased for the year ended December 31, 2022 primarily due to our enhanced cost control and it further increased for the year ended December 31, 2023 mainly due to the timing difference between the procurement of gold and sales of gold products coupled with the substantial increase of gold price during the year, resulting in an increase in our gross profit from our self-operated stores. Our gross profit margin for self-operated stores was 14.7%, 16.9%, 22.4% and 24.4%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Others

For the years ended December 31 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit for others amounted to RMB28.3 million, RMB37.4 million, RMB32.5 million and RMB26.0 million, respectively. The increase for the years ended December 31, 2021 and 2022 was in line with the fluctuation in the corresponding revenue of the respective year and the decrease for the year ended December 31, 2023 was due to higher overheads and other costs incurred as we upgraded our production facilities in relation to subcontracting production for independent third-party and tailor-make products for specific customers. Overall, our gross profit contributed by others represented an immaterial amount of our gross profit contribution during the Track Record Period. Our gross profit margin for others was 21.1%, 23.8%, 26.6% and 10.3%, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our gross profit margin from others sales channel for the six months ended June 30, 2024 decreased significantly compared to the gross profit margin of 2023 primarily due to the sale of gold raw materials to an Independent Third Party, which entailed lower gross profit margin.

Other income

The following table sets forth the breakdown of our other income during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Interest income from bank and other deposits	5,970	8,158	5,492	3,119	2,261
Other income from franchisees and provincial-dealers*(Note 1)*	2,343	4,079	3,563	1,665	1,533
Rental income	3,604	3,200	3,222	1,560	1,741
Government grants	15,416	12,648	15,230	895	2,844
Others	97	316	266	263	2,269
Total	**27,430**	**28,401**	**27,773**	**7,502**	**10,648**

Note 1: Includes interest income derived from gold loaned to relevant franchisees and provincial-dealers.

Our other income mainly consisted of (i) interest income from bank deposits; (ii) other income from franchisees; (iii) rental income; and (iv) government grants.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our other income amounted to RMB27.4 million, RMB28.4 million, RMB27.8 million and RMB10.6 million, respectively.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, income of approximately RMB15.4 million, RMB12.6 million, RMB15.2 million and RMB2.8 million, respectively, represented the subsidies from the relevant government authorities for the purpose of motivating the business development of our Group including (i) an incentive grant from Tianjin government which was granted for a period of three years commencing from 2020 and (ii) diamond imported tax refund subsidy policy as promulgated by the State Taxation Administration of The People's Republic of China in 2006. The subsidies received were in substance other financial support to our Group with no future related costs and were recognized as income when the subsidies were received. There were no unfulfilled conditions for all the government grants in the years in which they were recognized during the Track Record Period.

Distribution and selling expenses

The following table sets forth the breakdown of our distribution and selling expenses during the Track Record Period:

	Year ended December 31						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Staff costs	84,982	48.1	96,552	49.6	114,054	44.3	55,591	43.3	55,613	46.7
Media advertising and promotion expenses	35,996	20.3	40,473	20.8	66,761	25.9	37,210	29.0	24,532	20.6
Distributor's handling fee	16,810	9.5	16,003	8.2	23,070	9.0	9,183	7.2	11,996	10.1
Depreciation and amortization	8,403	4.7	9,010	4.7	11,018	4.3	4,067	3.2	6,498	5.5
Travel expenses	7,225	4.1	7,753	4.0	12,794	5.0	5,933	4.6	4,934	4.1
Testing fee	7,092	4.0	7,049	3.6	6,696	2.6	2,894	2.3	3,436	2.9
Office expenses	5,220	3.0	5,375	2.8	5,837	2.3	4,290	3.3	2,943	2.5
Others	11,066	6.3	12,258	6.3	17,098	6.6	9,169	7.1	8,986	7.6
Total	**176,794**	**100.0**	**194,473**	**100.0**	**257,328**	**100.0**	**128,337**	**100.0**	**118,939**	**100.0**

Our distribution and selling expenses mainly consisted of staff costs, media advertising and promotion expenses.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our distribution and selling expenses amounted to RMB176.8 million, RMB194.5 million, RMB257.3 million and RMB118.9 million, respectively.

Our distribution and selling expenses generally increased during the Track Record Period. It increased by RMB17.7 million for the year ended December 31, 2022, mainly due to an increase in staff costs as a result of our increase in commission paid, whereby the commission were related to the increase in revenue for the year ended December 31, 2021 and also a general increase in our number of staff for the year ended December 31, 2022. It increased by RMB62.9 million for the year ended December 31, 2023, mainly due to an increase in staff costs as a result of increased commission payments due to an increase in revenue and a general increase in our number of staff for the year ended December 31, 2023, coupled with an increase in media advertising and promotion expenses during the year. Our distribution and selling expenses decreased from RMB128.3 million for the six months ended June 30, 2023 to RMB118.9 million for the six months ended June 30, 2024, representing a period-to-period decrease of RMB9.4 million or 7.3%. Such decrease was primarily attributable to a decrease in our media advertising and promotion expenses. Media advertising and promotion expenses were mainly expenses for placing more advertisement on social media and in railway stations and in relation to the launching of promotions on e-commerce platforms. In addition, distributor's handling fees mainly represent concessionaire expenses associated with our self-operated stores, which operate under concession agreements with shopping malls or department stores, and we are charged a handling fee based on our revenue from such self-operated stores. The increase in distributor's handling fees was generally in line with the increase in sales at our self-operated stores under concession agreements with shopping malls or department. Moreover, our distributor's handling fee increased materially in 2023 when compared to that of 2022. Such increase was mainly attributable to a growth in sales at our self-operated stores under concession agreements with shopping malls/department stores, which in turn, was partially contributed by an increase in number of our self-operated stores in shopping malls/department stores from 29 stores (as of December 31, 2022) to 32 stores (as of December 31, 2023). Testing fees are fees paid to qualified third-party testing organizations for services required to obtain certificates of inspection to meet the statutory requirements for the sale of jewellery. These fees are generally fixed and do not vary based on the number of products tested.

Research and development expenses

The following table sets forth the breakdown of our research and development expenses during the Track Record Period:

	Year ended December 31						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Staff costs	9,243	86.2	9,238	68.3	8,862	50.7	3,951	53.1	7,145	63.5
Consumables	625	5.8	1,844	13.6	5,147	29.5	1,484	19.9	1,565	13.9
Depreciation	691	6.5	901	6.6	1,220	7.0	498	6.7	1,211	10.8
Design fees	139	1.3	868	6.4	766	4.4	616	8.3	471	4.2
Intellectual property service fee	—	—	389	2.9	930	5.3	682	9.2	329	2.9
Others	25	0.2	293	2.2	545	3.1	211	2.8	536	4.7
Total	**10,723**	**100.0**	**13,533**	**100.0**	**17,470**	**100.0**	**7,442**	**100.0**	**11,258**	**100.0**

Our research and development expenses mainly consisted of staff costs and consumables such as raw materials for used in R&D and parts and components of machinery.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our research and development expenses amounted to RMB10.7 million, RMB13.5 million, RMB17.5 million and RMB11.3 million, respectively.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	Year ended December 31						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Staff costs	30,924	40.7	34,021	49.8	37,117	46.5	17,885	53.4	20,277	50.0
Depreciation and amortization	10,792	14.2	10,061	14.7	10,791	13.5	4,755	14.2	7,476	18.5
Office expenses	7,465	9.8	6,352	9.3	9,090	11.4	2,958	8.8	4,402	10.9
Entertainment expenses	7,481	9.9	5,831	8.5	6,086	7.6	953	2.8	620	1.5
Share-based payment	2,268	3.0	130	0.2	—	—	—	—	—	—
Agency fees	9,062	11.9	3,821	5.6	6,281	7.9	1,584	4.7	3,259	8.1
Travel expenses	1,707	2.3	2,037	3.0	2,040	2.6	898	2.7	953	2.4
Decoration expenses	1,552	2.0	765	1.1	210	0.3	64	0.2	53	0.1
Service fees	1,443	1.9	1,628	2.4	3,359	4.2	1,752	5.2	609	1.5
Others	3,253	4.3	3,629	5.4	4,796	6.0	2,672	8.0	2,822	7.0
Total	**75,947**	**100.0**	**68,275**	**100.0**	**79,770**	**100.0**	**33,521**	**100.0**	**40,471**	**100.0**

Our administrative expenses mainly represented our (i) staff costs, (ii) depreciation and amortization and (iii) office expenses.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our administrative expenses amounted to RMB75.9 million, RMB68.3 million, RMB79.8 million and RMB40.5 million, respectively. During the Track Record Period, staff costs for our administrative personnel constituted a substantial portion of our administrative expenses. The changes in staff costs were mainly in relation to the number of our administrative employees.

Other expenses

The following table sets forth the breakdown of our other expenses during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Costs related to previous A-share listing attempt	13,290	7,261	4,302	2,898	—
Direct operating expenses incurred for investment properties	3,724	4,204	4,197	2,099	2,098
Total	**17,014**	**11,465**	**8,499**	**4,997**	**2,098**

Our other expenses comprise costs related to previous A-share listing attempt and direct operating expenses incurred for investment properties. Direct operating expenses incurred for investment properties refer to depreciation and amortization of our investment properties.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our other expenses amounted to RMB17.0 million, RMB11.5 million, RMB8.5 million and RMB2.1 million, respectively. The fluctuations of our other expenses were mainly due to our costs related to previous A-share listing attempt. Our direct operating expenses incurred for investment properties were generally slightly higher than our rental income for the corresponding periods because some of our investment properties had not been leased and we had no rental income for such property while we still incurred operating expenses to maintain such properties. For further details of our rental income during the Track Record Period, please refer to "— Other Income".

Other gains and losses, net

The following table sets forth the breakdown of our other gains and losses, net during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/gain on disposal of property, plant and equipment, intangible assets and termination of leases, net	58	1,555	(55)	218	(20)
Net foreign exchange gain/(loss)	9	(124)	(134)	(77)	53
Net realised (loss)/gain on Au (T+D) contracts*(Note)*	76,001	(170,942)	(299,391)	(158,000)	(298,527)
Net realised (loss)/gain on gold loans	13,552	(29,247)	(50,358)	(42,919)	(67,662)
Net unrealised gain/(loss) on gold loans	(973)	(8,913)	(19,735)	5,632	20,440
Fair value changes on financial assets at FVTPL	803	140	80	54	5
Charitable contribution	(443)	(2,382)	(1,146)	(500)	(613)
Others	832	952	725	—	599
Total	**89,839**	**(208,961)**	**(370,014)**	**(195,592)**	**(345,725)**

Note: Our Group uses Au (T+D) contracts which are purchased on Shanghai Gold Exchange as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with gold products. The Au (T+D) contracts are settled on a daily basis.

However, our Group does not formally designate or document the hedging transactions with respect to the Au (T+D) contracts. Therefore, those transactions are not designated for hedge accounting. We do not treat such arrangements as hedging arrangements since (i) we do not have formal designation and documentation of the hedging relationship, risk management objective for accounting purpose and strategy for undertaking the hedge; and (ii) the arrangements do not meet all of the hedge effectiveness requirements under HKFRS 9. As such, we have not had any hedging arrangements in this regard.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our other gains and losses, net amounted to gain of RMB89.8 million, loss of RMB209.0 million, loss of RMB370.0 million and loss of RMB345.7 million, respectively.

Our other gains and losses, net mainly consist of gains or losses we incurred in connection with our Au (T+D) contracts and gold loans. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 decreased from RMB387.4/g in 2020 to RMB374.5/g in 2021, then to RMB392.2/g in 2022 and further increased to RMB449.9/g in 2023, and further increased to the average daily closing price of RMB520.9/g for the six months ended June 30, 2024. Accordingly, we recorded net realized losses on Au (T+D) contracts and gold loans for the years ended December 31, 2022 and 2023 and six months ended June 30, 2024. Conversely, we recorded net realized gain from Au (T+D) contracts and gold loans in 2021. The trend generally negatively corresponded with the price of Au9999. For the six months ended June 30, 2024, we recorded an increase in net realised loss on Au (T+D) contracts in the sum of RMB140.5 million, representing a period-to-period increase of approximately 88.9% when compared to the corresponding period in 2023. Such increase in loss is primarily attributable to a significant increase in gold price during the first half of 2024.

Finance costs

The following table sets forth the breakdown of our finance costs during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on borrowings	23,921	27,891	33,703	15,059	22,890
Interest on gold loans	19,948	18,526	17,272	7,130	9,646
Interest on bills discounted with recourse	18,366	8,931	11,224	8,483	2,335
Interest on lease liabilities	1,926	1,520	935	470	561
Total	**64,161**	**56,868**	**63,134**	**31,142**	**35,432**

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our finance costs amounted to RMB64.2 million, RMB56.9 million, RMB63.1 million and RMB35.4 million, respectively.

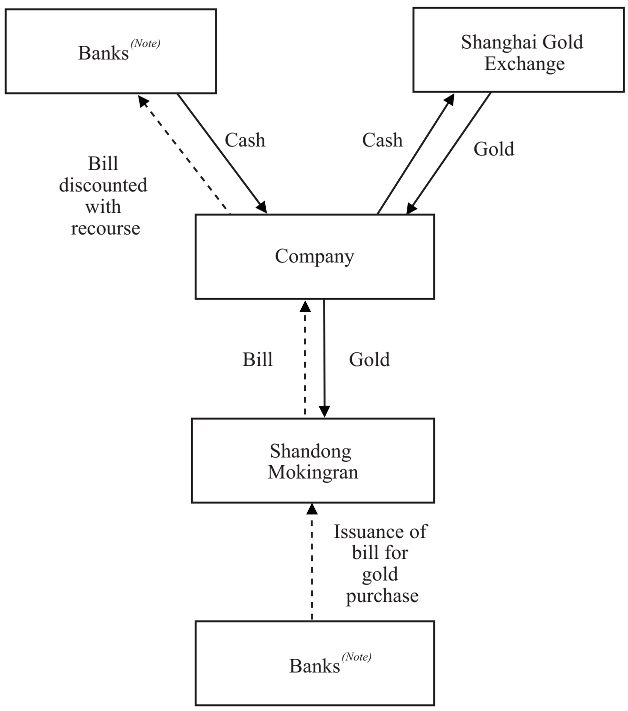
Our finance costs represented (i) interest on borrowings, (ii) interest on gold loans, (iii) interest on bills discounted with recourse and (iv) interest on lease liabilities. Interest on bills discounted with recourse is in relation to the cash received on bills receivables discounted to various banks with full recourse related to discounted bills issued among subsidiaries of our Group for intra-group transactions.

Reason(s) for applying bills as a payment method

Bills discounted with recourse were in relation to intra-group transactions which involved bills obtained from banks by various Group members. Due to the fact that our procurement and production are performed by different entities of our Group, our Group conducted intra-group transactions between the production entity and the procurement entities for the purchase of gold and gold finished products. As some of the banking facilities obtained by us had restrictions that they can be used for bills settlement purpose, we utilised such bills as the payment method for the intra-group transactions, as opposed to using cash or other banking facilities. These intra-group transactions represented genuine transactions in relation to different subsidiaries' operation, and the lending banks were aware of the intra-group transactions as the entities involved in the intra-group transactions are named in the relevant documents submitted to the lending banks for the issuance of bills. In situations where the banks issuing the bills were not the same banks receiving the bills, the bank receiving the bill directly cashes out the bill from the bank issuing the bill and no transaction documents are submitted to such bank. The majority of the bills are secured by security deposits.

The following diagrams illustrate the transactions in relation to bill discounted with recourse in the Track Record Period:

Mainly: Bills for purchasing gold for subsidiaries



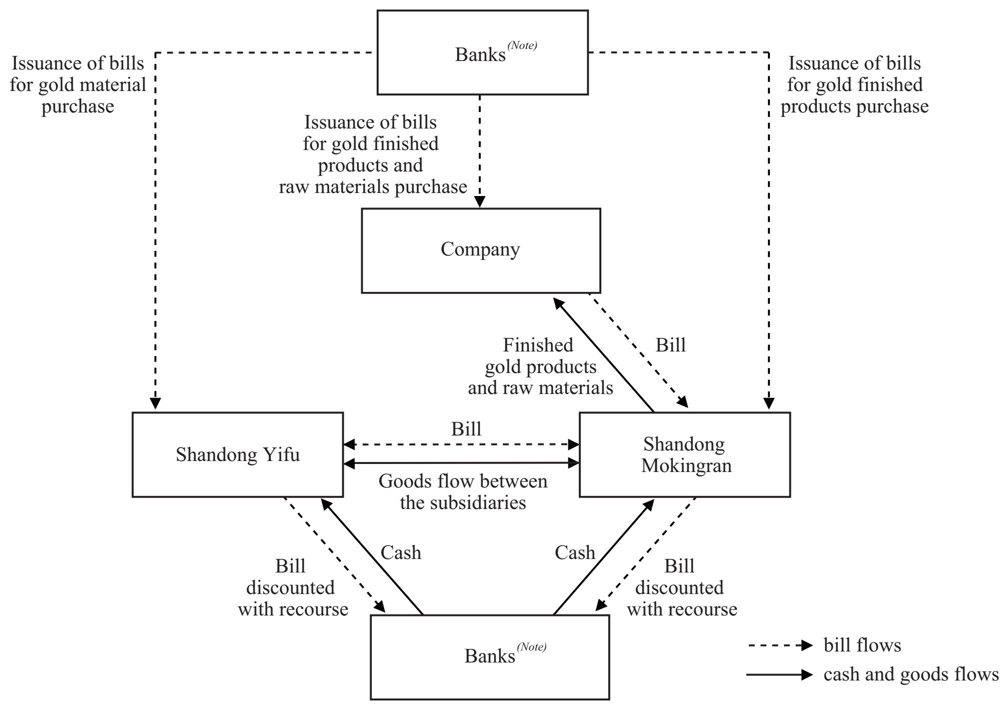
Note: The banks issuing the bills may or may not be the same banks receiving the bills.

Our bills discounted with recourse mainly represented bills utilized by Shandong Mokingran for gold purchase from our Company. Bills discounted with recourse were part of the bundle of financing options under the credit line provided to us by relevant financial institutions, under which the relevant bills can only be applied for the purpose specified in the facilities documents. When we need external financing for transactions, we utilize the financing method that is most accessible and/or commercially feasible for us, which at times, includes the bills discounted with recourse instead of direct drawdown. We are also required to submit relevant transactional document of relevant arrangement to the banks for their independent review before we use bank bills as settlement tools. In addition, Frost & Sullivan confirmed that bank bills are commonly used as a settlement mean, which further substantiates that the relevant transactions were conducted in accordance with commercial norms. Accordingly, our Directors are of the view that the bank bills were proper commercial settlement tools.

Our Directors are also of the view that the bank bills represented genuine business transactions because: (i) stemming from our historical development and growth over the years, we have delineated responsibilities within and amongst our Group entities. Such delineation may originate from an operational efficacy standpoint, with certain entities designated to procure materials and others to focus on manufacture and/or sales. According to Frost & Sullivan, it is very common in China that companies in the same group have different functions in business operation, (ii) the aforementioned delineation of responsibilities thus led to genuine intra-group transactions that involve the procurement of raw materials and sales of products, (iii) in our Group's case, bank bills were granted to and applied by certain of our entities to settle the relevant purchase in intra-group transactions. Such bills were issued by commercial banks that operate under strict regulatory regimes, which also requires that they properly assess and document relevant transactions. Accordingly, we had been required to submit relevant transactional documents of the relevant arrangements to the banks for their independent review to verify the genuineness of respective transactions and bills were only issued after the relevant bank's review/analysis of the relevant transactions/documents, and (iv) following the receipt of the bank bills, actual transactions were conducted with product and fund flow in the same manner stated in the relevant transactional documents submitted to the banks.

Under the current transaction process, Shandong Mokingran, our subsidiary responsible for our sales to provincial-dealers, would purchase gold from our Company. Upon receiving the bank bills from Shandong Mokingran, our Company would discount the bank bills with commercial banks for financing and apply such capital to the procurement of gold from the Shanghai Gold Exchange, as the Shanghai Gold Exchange does not accept bills as payment method. Our Company, as a special member of the Shanghai Gold Exchange, is the only member of our Group who could procure gold directly from the Shanghai Gold Exchange. By adopting aforementioned transaction flow, we will be able to utilize our Company's membership to procure gold directly from the Shanghai Gold Exchange. According to Frost & Sullivan, such arrangement is common in the industry.

Miscellaneous: Purchase of gold finished products, raw materials and other intra-group transactions



Note: The banks issuing the bills may or may not be the same banks receiving the bills.

The miscellaneous scenarios relate to (i) the Company purchasing gold finished products and raw materials from Shandong Mokingran, and (ii) intra-group transactions between Shandong Mokingran and Shandong Yifu which involves purchase of raw materials and finished goods between the intra-group entities.

For details of other miscellaneous transactions in relation to bills discounted with recourse, please see the table below.

	Purchase of gold finished products and raw materials	Other intra-group transactions
Parties	Buyer: Company Seller: Shandong Mokingran	Shandong Mokingran and Shandong Yifu
Transaction matter	Our Company utilized bank bills to purchase gold finished products for selling to franchisees through our self-operated direct service centers and raw materials from Shandong Mokingran for commissioning Shandong Yifu for production	(I) Shandong Yifu purchasing materials for production from Shandong Mokingran (II) Shandong Mokingran purchasing gold finished products from Shandong Yifu for selling purpose

	Gold purchase	Purchase of gold finished products and raw materials	Other intra-group transactions
Discounted bills amount (RMB million)			
For the year ended December 31, 2021	451.1	242.6	88.0
For the year ended December 31, 2022	551.1	Nil	Nil
For the year ended December 31, 2023	464.8	98.7	Nil
For the six months ended June 30, 2024	Nil	Nil	Nil
Use of proceeds from bill discounted with recourse	Purchase gold from the Shanghai Gold Exchange	Working capital	Working capital
Term of bills issued	Up to 12 months	Up to 12 months	Up to 12 months
Discounted rates	0.8% to 2.8%	2.65% to 2.96%	2.9% to 3.5%
Security deposit	Mainly 50% security deposit for the value of the bills to be issued	40% to 50% security deposit	50% to 100% security deposit
Total amount of transactions (including cash settlement and bill settlement) (RMB million)			
For the year ended December 31, 2021	1,132.4	347.9	154.2
For the year ended December 31, 2022	927.2	N/A	N/A
For the year ended December 31, 2023	632.2	109.7	N/A
For the six months ended June 30, 2024	N/A	N/A	N/A

As advised by our PRC Legal Advisor, the aforementioned use of bills discounted with recourse did not violate Negotiable Instruments Law of the PRC or applicable prohibitive laws, considering that these bank bills represented genuine business transactions and were proper commercial settlement tools. Based on the foregoing, these bank bills do not fall under non-compliant bill financing as stipulated under chapter 1.2D of the Guide For New Listing Applicants.

Based on the independent due diligence performed by the Sole Sponsor including, without limitation, (i) discussing with key members of the Group's management who oversee the Group's financial matters to understand the nature, purpose and frequency of the bank bills and the underlying business transactions; (ii) obtaining and reviewing relevant supporting documents related to the underlying business transactions and the bank bill arrangements, including copies of bank bills issued, invoices, contracts for the intra-group transactions, payment records, evidence of goods delivery, shipment details, and inventory records to verify the actual occurrence of the transactions and corroborate the commercial substance of the underlying business transactions and verify their consistency with the explanations provided by the Group's management; (iii) discussing with the Reporting Accountants in relation to the audit procedures they conducted on the genuineness of the underlying business transactions related to the bank bills under bank borrowings in forming an opinion on the Historical Financial Information as a whole; (iv) interviewing several banks providing financing to the Group, at which certain bank bills were issued, to understand the procedures undertaken by the banks to verify the genuineness of the underlying business transactions, and noted that such banks were aware the bank bills were used in intra-group transactions, and that they expressed no concerns regarding the authenticity of the transactions; (v) discussing with the PRC Legal Advisor, to understand whether bank bills are legitimate commercial settlement tools and compliant with PRC laws. The PRC Legal Advisor confirmed that, considering that the bank bills represented genuine business transactions and were proper commercial settlement tools, the use of such bank bills did not violate Negotiable Instruments Law of the PRC or applicable prohibitive laws; and (vi) discussing with the Industry Consultant to understand the prevalence and extent of use of similar bank bill arrangements for intra-group transactions by other market players in the industry and the rationale behind employing such arrangements in the industry, the Sole Sponsor concurs with the Directors' view that the bank bills represent genuine business transactions.

Net reversal of impairment losses/(impairment losses) under expected credit loss model

The following table sets forth the breakdown of our net reversal of impairment losses/(impairment losses) under expected credit loss model during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment losses, net of reversals, recognized on:					
— Trade receivables . . .	(12,402)	11,116	(675)	(666)	424
— Other receivables . . .	(795)	(1,029)	(401)	135	(662)
Total	**(13,197)**	**10,087**	**(1,076)**	**(531)**	**(238)**

Our net reversal of impairment losses/(impairment losses) under expected credit loss model mainly represented impairment losses, net of reversals, recognized on (i) trade receivables, and (ii) other receivables.

Our Group writes off trade receivables or other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	21	34,391	34,412
Transfer to credit-impaired	(1)	1	—
Impairment losses recognized	216	13,321	13,537
Impairment losses reversed	—	(1,135)	(1,135)
Write-offs	—	(1)	(1)
At December 31, 2021	236	46,577	46,813
Impairment losses recognized	2	—	2
Impairment losses reversed	(185)	(10,933)	(11,118)
At December 31, 2022	53	35,644	35,697
Impairment losses recognized	13	2,735	2,748
Impairment losses reversed	(6)	(2,067)	(2,073)
At December 31, 2023	60	36,312	36,372
Impairment losses recognized	34	—	34
Impairment losses reversed	(8)	(450)	(458)
At June 30, 2024	86	35,862	35,948

The following tables show reconciliation of loss allowances that has been recognized for other receivables.

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	1,837	170	2,007
Impairment losses recognized	869	—	869
Impairment losses reversed	(74)	—	(74)
At December 31, 2021	2,632	170	2,802
Impairment losses recognized	880	489	1,369
Impairment losses reversed	(340)	—	(340)
Write-offs	—	(659)	(659)
At December 31, 2022	3,172	—	3,172
Transfer to credit-impaired	(112)	112	—
Impairment losses recognized	801	—	801
Impairment losses reversed	(400)	—	(400)
Write-offs	—	(112)	(112)
At December 31, 2023	3,461	—	3,461
Impairment losses recognized	747	—	747
Impairment losses reversed	(85)	—	(85)
At June 30, 2024	4,123	—	4,123

Income tax expenses

During the Track Record Period, the assessable profit of our other PRC subsidiaries was subject to a statutory rate of 25.0% determined in accordance with the EIT Law. See note 12 to the historical financial information in the Accountants' Report set out in Appendix I to this document for further details.

Our income tax expense amounted to RMB71.4 million, RMB63.4 million, RMB71.6 million and RMB14.6 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our effective tax rates were 24.1%, 26.0%, 23.5% and 21.8% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our effective tax rates were in line with the statutory tax rate of 25.0%, with fluctuations mainly due to the different tax rates entitled by certain of our subsidiaries and the deductible allowance for research and development cost for tax purpose.

As of the Latest Practicable Date and during the Track Record Period, our Directors confirmed that we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Revenue

Our revenue increased by RMB663.5 million or 7.1% from RMB9,316.2 million for the six months ended June 30, 2023 to RMB9,979.7 million for the six months ended June 30, 2024. The increase in our revenue was mainly due to an increase in gold price. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 was RMB520.9/g for the six months ended June 30, 2024, compared with that of RMB435.5/g for the six months June 30, 2023. As we charged our customers according to the prevailing gold market price of gold jewellery products, higher market gold price in the six months ended June 30, 2024 led to an increase in our revenue for the six months ended June 30, 2024 when compared with the six months ended June 30, 2023.

In terms of products, for the six months ended June 30, 2024, 98.5% of our revenue was derived from sales of gold jewellery and other gold products, which is similar to the revenue contribution of sales of gold jewellery and other gold products for the six months ended June 30, 2023. Accordingly, the increase in our revenue was primarily driven by (i) the revenue increase of our gold jewellery and other gold products as a result of the increase in gold market price, the increment of which amounted to RMB697.0 million for the six months ended June 30, 2024 when compared to that of the six months ended June 30, 2023, and (ii) our sales of gold bullion to a leading PRC e-commerce platform, Vipshop for a promotional event during the first half of 2024.

In terms of distribution channels, our revenue increase was mainly driven by e-commerce sales, which increased by RMB1,146.6 million or 666.3% from RMB172.1 million for the six months ended June 30, 2023 to RMB1,318.7 million. Such increase was mainly attributable to our sales of gold bullion to a leading PRC e-commerce platform, Vipshop for a promotional event. In addition, during the six months ended June 30, 2024, our revenue derived from provision of tailor-made production services increased by RMB59.1 million or 138.4% from RMB42.7 million for the six months ended June 30, 2023 to RMB101.8 million for the six months ended June 30, 2024. The increase in our revenue derived from e-commerce sales was partially offset by the decrease in revenue generated from sales to our franchise network as consumer sentiments were affected by the economic condition and gold price in general.

The sales volume of gold jewellery and other gold products for the six months ended June 30, 2023 and 2024 amounted to 22,986.2 kg and 20,588.7 kg respectively.

Cost of sales

Our cost of sales increased by 6.5% from RMB8,788.2 million for the six months ended June 30, 2023 to RMB9,362.2 million for the six months ended June 30, 2024, which was in line with the change in revenue. Our material costs, which accounted for 98.9% and 98.9% of our cost of sales for the six months ended June 30, 2023 and 2024, respectively, increased by RMB567.9 million. Such increase was mainly due to gold price increase in the six months ended June 30, 2024 compared with the same period of 2023.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 16.9% from RMB528.0 million for the six months ended June 30, 2023 to RMB617.5 million for the period ended June 30, 2024. The increase in our gross profit for the six months ended June 30, 2023 to June 30, 2024 was largely in line with the increase in revenue for the same period.

The gross profit margin for six months ended June 30, 2023 and 2024 were 5.7% and 6.2%, respectively, which were relatively stable.

Other income

Our other income increased by RMB3.1 million from RMB7.5 million for the six months ended June 30, 2023 to RMB10.6 million for the six months ended June 30, 2024. It was mainly due to an additional deduction for value-added tax in the sum of RMB2.2 million during the six months ended June 30, 2024 when compared to the same period in 2023. On the other hand, we recorded an increase of RMB2.1 million in relation to an incentive grant we received from Liaoning Province's cultural development fund, which further contributed to the increase in our other income. Such increases was partially offset by a slight decrease in our interest income from bank and other deposits by RMB0.9 million when compared to the same for the six months ended June 30, 2023.

Distribution and selling expenses

Our distribution and selling expenses decreased by 7.3% from RMB128.3 million for the six months ended June 30, 2023 to RMB118.9 million for the six months ended June 30, 2024 mainly due to decrease in media advertising and promotion expenses as we reduced such spending in light of the overall market condition.

Research and development expenses

Our research and development expenses increased from RMB7.4 million for the six months ended June 30, 2023 to RMB11.3 million for the six months ended June 30, 2024, representing a period-to-period increase of 51.3%. Such increase was mainly due to our increased number of staff we hired to further develop machinery R&D, technology R&D and product R&D.

Administrative expenses

Our administrative expenses increased from RMB33.5 million for the six months ended June 30, 2023 and at RMB40.5 million for the six months ended June 30, 2024. Such increase was partly due to an increase in staff cost, depreciation and amortization costs and office expenses of RMB2.4 million, RMB2.7 million and RMB1.4 million, respectively, which in turn, was related to our relocation to the existing new production facility and for which we hired additional administrative staff and incurred more depreciation and amortization costs and office expenses.

Other expenses

Our other expenses decreased by RMB2.9 million from RMB5.0 million for the six months ended June 30, 2023 to RMB2.1 million for the six months ended June 30, 2024. The decrease was mainly due to a reduction in costs related to previous A-share listing attempt as we incurred no such cost during the six months ended June 30, 2024.

Other gains and losses, net

Our other gains and losses, net increase by RMB150.1 million from a loss of RMB195.6 million for the six months ended June 30, 2023 to a loss of RMB345.7 million for the six months ended June 30, 2024 mainly due to an increase in net realised loss on Au (T+D) contracts in the sum of RMB140.5 million, representing an increase of approximately 88.9% when compared to the corresponding period in 2023. Such loss was due to the fact that the magnitude of gold price increase for the six months ended June 30, 2024 was larger than that of the corresponding period in 2023.

Finance costs

Our finance costs increased by RMB4.3 million from RMB31.1 million for the six months ended June 30, 2023 to RMB35.4 million for the six months ended June 30, 2024 primarily due to an increase in interest on borrowings in the sum of RMB7.8 million and an increase in interest on gold loans in the sum of RMB2.5 million, which was partially offset by a decrease in interest on bills discounted with recourse of RMB6.1 million as we reduced the application of such bills for procurement settlement purposes.

Net reversal of impairment losses/(impairment losses) under expected credit loss model

We recorded net impairment losses under expected credit loss model of RMB0.2 million for the six months ended June 30, 2024 and a net reversal of impairment losses of RMB0.5 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, we had no material reversal of impairment losses.

Income tax expenses

Our income tax expense decreased by RMB13.4 million from RMB28.0 million for the six months ended June 30, 2023 to RMB14.6 million for the six months ended June 30, 2024 primarily attributable to a decrease in our profit before tax.

Our effective tax rate slightly increased from 20.9% for the six months ended June 30, 2023 to 21.8% for the six months ended June 30, 2024.

Profit for the period

Our profit for the period decreased from RMB106.0 million for the six months ended June 30, 2023 to RMB52.3 million for the six months ended June 30, 2024, representing a period-to-period decrease of approximately 50.7%. Despite an increase in our total revenue, our profit for the period decreased as a result of an increase in net realised loss on Au (T+D) contracts due to the rapid increase in gold price during the six months ended June 30, 2024.

Our net profit margin decreased by 0.6 percentage point from 1.1% for the six months ended June 30, 2023 to 0.5% for the six months ended June 30, 2024.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenue

Our revenue increased by RMB4,484.4 million or 28.5% from RMB15,724.2 million for the year ended December 31, 2022 to RMB20,208.6 million for the year ended December 31, 2023. The increase in our revenue was mainly due to the recovery of economic activities in 2023, whereas our sales were affected by pandemic in 2022. Our revenue increase was also attributable to the relatively higher gold market price in 2023 than the gold market price in 2022. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 was RMB449.9/g as of December 31, 2023, compared with that of RMB392.2/g as of December 31, 2022. As we charged our customers according to the prevailing gold market price of gold jewellery products, higher market gold price in 2023 led to an increase in our revenue for the year ended December 31, 2023 when compared with the year ended December 31, 2022.

In terms of products, the increase in our revenue was primarily due to revenue growth for our gold jewellery and other gold products, where our sales in gold jewellery and other gold products increased by RMB4,484.5 million for the year ended December 31, 2023 compared to the year ended December 31, 2022.

In terms of distribution channels, our revenue increase was mainly due to revenue increase via our franchise network, which increased by RMB4,086.9 million or 27.5% from RMB14,836.3 million for the year ended December 31, 2022 to RMB18,923.2 million for the year ended December 31, 2023. Such increase was attributable to our direct sales to franchisees through our direct service centers, which increased by RMB2,644.6 million for the year ended December 31, 2023 compared with the year ended December 31, 2022, as well as our sales to provincial-dealers, which increased by RMB1,442.3 million for the compared years.

The sales volume of gold jewellery and other gold products for the years ended December 31, 2022 and 2023 amounted to 43,025.6 kg and 48,066.6 kg respectively.

Cost of sales

Our cost of sales increased by 27.8% from RMB14,965.0 million for the year ended December 31, 2022 to RMB19,131.1 million for the year ended December 31, 2023, which was in line with the change in revenue. Our material costs, which accounted for 99.0% and 98.9% of our cost of sales for the year ended December 31, 2022 and 2023, respectively, increased by RMB4,099.0 million for the year ended December 31, 2023. Such increase was mainly due to the relatively higher level of gold market price in 2023 compared with that in 2022.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 41.9% from RMB759.2 million for the year ended December 31, 2022 to RMB1,077.5 million for the year ended December 31, 2023. The increase in our gross profit for the year ended December 31, 2022 to December 31, 2023 was largely in line with the increase in revenue for the same period, with the increasing trend of gold prices during the year resulting in a higher growth of our gross profit as compared to the growth of our revenue.

The gross profit margin for the years ended December 31, 2022 and 2023 were 4.8% and 5.3%, respectively. The increase was primarily due to the increasing trend of gold price during the year ended December 31, 2023, as we procured gold at a relatively low price level before the gold price started to increase while charging our customers with the prevailing market gold price that tend to be higher than our previous purchase cost. Such timing difference between our procurement and sales transactions, coupled with the increasing trend of gold price during the year, resulted in an increase in our gross profit margin for the year ended December 31, 2023.

The selling prices of our gold jewellery and other gold products usually reflect the market price of the raw materials in the products and crafting fees. As our products are mainly made of gold, we use gold loans and Au (T+D) contracts as economic hedge to reduce the financial impact of gold price fluctuations. As the economic hedge of Au (T+D) contracts does not directly reflect on our gross profit or gross profit margin, our gross profit and gross profit margin are subject to fluctuations of gold price.

Other income

Our other income slightly decreased by RMB0.6 million from RMB28.4 million for the year ended December 31, 2022 to RMB27.8 million for the year ended December 31, 2023. It was relatively stable.

Distribution and selling expenses

Our distribution and selling expenses increased by 32.3% from RMB194.5 million for the year ended December 31, 2022 to RMB257.3 million for the year ended December 31, 2023 mainly due to increases in employees remuneration as a result of commission paid to employees, advertising expenses and marketing expenses as a result of our increased effort in marketing and promotion and our business expansion.

Research and development expenses

Our research and development expenses increased from RMB13.5 million for the year ended December 31, 2022 to RMB17.5 million for the year ended December 31, 2023 mainly due to (i) an increase in our R&D expenses of molds and equipment, particularly for spring clasp equipment; (ii) an increase in our R&D of product design styles; and (iii) an increase in the expenses for intellectual property application fees and agency fees.

Administrative expenses

Our administrative expenses increased by RMB11.5 million from RMB68.3 million for the year ended December 31, 2022 to RMB79.8 million for the year ended December 31, 2023. The increase was partly due to an increase in staff cost and office expenses of RMB3.1 million and RMB2.7 million, respectively, which in turn, was related to our relocation to the existing new production facility during 2023 and for which we hired additional administrative staff and incurred more office expenses.

Other expenses

Our other expenses decreased by RMB3.0 million from RMB11.5 million for the year ended December 31, 2022 to RMB8.5 million for the year ended December 31, 2023. The decrease was mainly due to we have incurred less expenses related to previous A-share listing attempt in 2022 but not in 2023.

Other gains and losses, net

Our other gains and losses, net decreased by RMB161.0 million from a loss of RMB209.0 million for the year ended December 31, 2022 to a loss of RMB370.0 million for the year ended December 31, 2023 mainly due to we have incurred losses in connection with our Au (T+D) contracts and gold loans. According to gold price quoted on the Shanghai Gold Exchange, the average daily closing price of Au9999 significantly increased from RMB392.2/g in 2022 to RMB449.9/g in 2023. Accordingly, we recorded net realized losses on Au (T+D) contracts and gold loans while we benefited from higher gross profit for the year ended December 31, 2023.

Finance costs

Our finance costs increased by RMB6.2 million from RMB56.9 million for the year ended December 31, 2022 to RMB63.1 million for the year ended December 31, 2023 primarily due to increase in interest paid on borrowings and bills discounted with recourse. We mainly utilized the fundings for the procurement of gold raw materials because the expansion of our business operations leads to an increased demand for financing in 2023.

Net reversal of impairment losses/(impairment losses) under expected credit loss model

We recorded net impairment losses under expected credit loss model of RMB1.1 million for the year ended December 31, 2023 and a net reversal of impairment losses of RMB10.1 million for the year ended December 31, 2022. For the year ended December 31, 2022, we reversed impairment losses as we managed to collect certain impaired trade receivables through legal actions from a customer who previously purchased gold bullion from us prior to the Track Record Period. For the year ended December 31, 2023, we had no material reversal of impairment losses.

Income tax expenses

Our income tax expense increased by RMB8.2 million from RMB63.4 million for the year ended December 31, 2022 to RMB71.6 million for the year ended December 31, 2023 primarily attributable to business expansion.

Our effective tax rate decreased from 26.0% for the year ended December 31, 2022 to 23.5% for the year ended December 31, 2023. They were generally in line with the statutory tax rate of 25.0%, with fluctuations mainly due to the different tax rates entitled by certain of our subsidiaries and the deductible allowance for research and development cost for tax purpose.

Profit for the period

As a result of the foregoing, our profit increased by RMB52.7 million from RMB180.8 million for the year ended December 31, 2022 to RMB233.5 million for the year ended December 31, 2023.

Our net profit margin remained stable with a slight increase from 1.1% for the year ended December 31, 2022 to 1.2% for the year ended December 31, 2023.

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenue

Our revenue decreased by RMB1,146.8 million or 6.8% from RMB16,871.0 million for the year ended December 31, 2021 to RMB15,724.2 million for the year ended December 31, 2022. The decrease was mainly because our sales were affected by pandemic for the year ended December 31, 2022 as well as we recorded a surge in sales from e-commerce in 2021 as we sold a large batch of gold bullion to a leading PRC online discount retailer, Vipshop for a promotion event. We did not record comparable sales from this source for the year ended December 31, 2022.

In terms of breakdown by distribution channels, our sales through franchise network were relatively stable, at RMB14,772.6 million for the year ended December 31, 2021 and RMB14,836.3 million for the year ended December 31, 2022. The decrease was mainly due to the decrease in sales via our e-commerce by RMB1,243.8 million.

The sales volume of gold jewellery and other gold products for the years ended December 31, 2021 and 2022 amounted to 48,089.8 kg and 43,025.6 kg respectively.

Cost of sales

Our cost of sales decreased by RMB1,369.6 million or 8.4% from RMB16,334.6 million for the year ended December 31, 2021 to RMB14,965.0 million for the year ended December 31, 2022, which was primarily due to our decrease in revenue and partly offset by the increase in gold price for the year ended December 31, 2022.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB222.8 million or 41.5% from RMB536.4 million for the year ended December 31, 2021 to RMB759.2 million for the year ended December 31, 2022. It was primarily due to the increase of gold price during the year ended December 31, 2022. The average annual closing price for Au9999 in the PRC experienced a general upward trend from RMB374.5/g in 2021 to RMB392.2/g in 2022, according to gold price quoted on the Shanghai Gold Exchange. As an OBM, our average inventory turnover days typically ranged from one to two months. This means that, in general for the year, we tend to procure gold at a relatively low price level while charging our customers with the prevailing market gold price that tend to be higher than our previous purchase cost. Such timing difference between our procurement and sales transactions, coupled with the increase trend of gold price during the year, resulted in an increase in our gross profit for the year ended December 31, 2022.

In terms of breakdown by products, the gross profit for our gold jewellery and other gold products increased by RMB234.8 million. In terms of distribution channel, our gross profit increase was mainly due to the increase in gross profit in our franchise network, which increased by RMB215.4 million.

The gross profit margin increased from 3.2% for year ended December 31, 2021 to 4.8% for the year ended December 31, 2022, mainly due to the factors as described above in the analysis of gross profit and also due to increased gross profit margin of gold jewellery and other gold products, which was mainly due to the our sales of gold bullion to a leading PRC online discount retailer, Vipshop for a promotion collaboration event in 2021 and that in 2022 we did not record similar sales. Gold bullion generally has a lower gross profit margin than gold jewellery.

Other income

Our other income remained relatively stable, at RMB27.4 million for the year ended December 31, 2021 and at RMB28.4 million for the year ended December 31, 2022 mainly due to the increased interest from bank and other deposits offset by the decreased government grants.

Distribution and selling expenses

Our distribution and selling expenses increased by RMB17.7 million from RMB176.8 million for the year ended December 31, 2021 to RMB194.5 million for the year ended December 31, 2022 mainly due to a substantial increase in employees remuneration in light of an increase of staff number, as well as increased spending on advertising expenses and marketing expenses for our business expansion. Such media advertising expenses included placing more advertisement in social media and in railway stations and such publicity and promotion expenses were mainly in relation to the launching of promotion expenses on e-commerce platforms.

Research and development expenses

Our research and development expenses increased by RMB2.8 million from RMB10.7 million for the year ended December 31, 2021 to RMB13.5 million for the year ended December 31, 2022 mainly due to our increased R&D consumables.

Administrative expenses

Our administrative expenses decreased by RMB7.6 million from RMB75.9 million for the year ended December 31, 2021 to RMB68.3 million for the year ended December 31, 2022. Such decrease was primarily attributable to our limited operation during the fourth quarter of 2022 as a result of pandemic.

Other expenses

Our other expenses decreased by RMB5.5 million from RMB17.0 million for the year ended December 31, 2021 to RMB11.5 million for the year ended December 31, 2022. The decrease was mainly due to the decrease in costs related to previous A-share listing attempt in the amount of RMB13.3 million for the year ended December 31, 2021. We had an A-share listing attempt in 2021 and following its cessation, we initiated another attempt in 2022, but incurred less cost comparatively due to differences in work stage.

Other gains and losses, net

Our other gains and losses, net decreased by RMB298.8 million from a gain of RMB89.8 million for the year ended December 31, 2021 to a loss of RMB209.0 million for the year ended December 31, 2022. Such decrease was mainly due to net realized loss on Au (T+D) contracts, because of the general increase of gold price from 2021 to 2022, which according to gold price quoted on the Shanghai Gold Exchange, the average annual closing price for Au9999 increased from RMB374.5/g for 2021 to RMB392.2/g for 2022.

Finance costs

Our finance costs decreased by RMB7.3 million from RMB64.2 million for the year ended December 31, 2021 to RMB56.9 million for the year ended December 31, 2022 mainly due to decrease in interest paid on bills discounted with recourse. We utilized less bills discounted with recourse mainly because of limited operation caused by pandemic and we have less financing need.

Net reversal of impairment losses/(impairment losses) under expected credit loss model

We recorded net impairment losses under expected credit loss model of RMB13.2 million for the year ended December 31, 2021 and a net reversal of impairment losses of RMB10.1 million for year ended December 31, 2022. For the year ended December 31, 2022, we reversed impairment losses of RMB11.1 million as we managed to collect certain impaired trade receivables through legal actions from a customer who previously purchased gold bullion from us prior to the Track Record Period.

Income tax expenses

Our income tax expense decreased by RMB8.0 million from RMB71.4 million for the year ended December 31, 2021 to RMB63.4 million for the year ended December 31, 2022. The decrease was mainly due to our revenue decrease for the year ended December 31, 2022.

Our effective tax rate remained relatively stable at 24.1% and 26.0% for the years ended December 31, 2021 and 2022, respectively.

Profit for the year

As a result of the foregoing, our profit decreased by RMB43.7 million from RMB224.5 million for the year ended December 31, 2021 to RMB180.8 million for the year ended December 31, 2022, mainly because of the decrease in revenue together with net realized loss on Au (T+D) contracts.

Our net profit margin decreased by 0.2 percentage point from 1.3% for the year ended December 31, 2021 to 1.1% for the year ended December 31, 2022.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Assets

The following consolidated statement of financial position as of the dates indicated, respectively is extracted from the accountants' report set out in Appendix I to this document:

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
CURRENT ASSETS					
Inventories	2,048,989	1,688,925	2,169,633	2,016,500	1,951,839
Trade receivables	97,993	130,922	150,513	171,206	147,255
Prepayments, deposits and other receivables	278,742	261,921	399,406	404,722	551,528
Financial assets at fair value through profit or loss	6,011	—	—	—	—
Pledged/restricted deposits	569,476	369,555	528,795	444,102	386,574
Cash and cash equivalents	153,518	225,359	155,866	364,034	134,101
Total	**3,154,729**	**2,676,682**	**3,404,213**	**3,400,564**	**3,171,297**
CURRENT LIABILITIES					
Trade and bills payables	45,560	64,953	511,787	302,191	84,816
Other payables and accruals	117,258	122,987	139,142	182,303	146,283
Lease liabilities	12,028	9,600	7,711	11,276	9,467
Borrowings	1,336,920	829,627	790,041	1,070,379	1,037,928
Contract liabilities	27,215	39,044	42,173	72,887	53,470
Tax liabilities	1,849	12,296	24,963	13,390	9,938
Gold loans	486,998	394,143	502,508	413,627	469,352
Deferred income	132	132	41	34	38
Provision	210	—	—	—	—
Refund liabilities	50,995	41,448	32,943	23,615	23,108
Total	2,079,165	1,514,230	2,051,309	2,089,702	1,834,400
Net Current Assets	**1,075,564**	**1,162,452**	**1,352,904**	**1,310,862**	**1,336,897**

Our non-current assets included property, plant and equipment, right-of-use assets, investment properties, intangible assets, deferred tax assets, prepayments, deposits and other receivables and other non-current assets. Our current assets included inventories, trade receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, pledged/restricted deposits and cash and cash equivalents.

Our current liabilities mainly included trade and bills payables, other payables and accruals, lease liabilities, borrowings, tax liabilities, gold loans and refund liabilities. Our non-current liabilities included deferred tax liabilities, lease liabilities, refund liabilities and deferred income.

Our net current assets increased from RMB1,075.6 million as of December 31, 2021 to RMB1,162.5 million as of December 31, 2022 primarily due to an decrease in borrowings of RMB507.3 million as due to the inability to timely renew certain borrowings because of business disruption to banks caused by the pandemic and partially offset by a reduction in inventories of RMB360.1 million.

Our net current assets further increased to RMB1,352.9 million as of December 31, 2023 primarily due to (i) an increase in inventories of RMB480.7 million mainly due to an increase in our gold reserves to meet market demand, alongside an increase in gold prices in 2023, (ii) an increase in pledged/restricted deposits of RMB159.2 million for securing financing, and (iii) an increase in prepayments, deposits and other receivables of RMB137.5 million due to an increase in the right to returned goods assets, and partially offset by a significant increase in trade and bills payable of RMB446.8 million, primarily due to our adoption of settlements in bank acceptance bills for procurement of gold raw materials.

Our net current assets slightly decreased by RMB42.0 million to RMB1,310.9 million as of June 30, 2024, primarily attributable to (i) a decrease in inventories by RMB153.1 million due to the sales of our finished goods and (ii) an increase in borrowings by RMB280.3 million, and was partially offset by a decrease in gold loans by RMB88.9 million.

Our net current assets remained relatively stable at RMB1,336.9 million as of September 30, 2024 when compared with that as of June 30, 2024.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	596,811	387,942	533,868	667,678
Work in progress	1,480	2,596	6,343	1,400
Finished goods*(Note 1)*	1,434,117	1,280,587	1,612,052	1,326,328
Goods in transit	3,325	6,164	7,272	9,489
Consignment processing materials*(Note 2)*	5,489	2,972	525	1,433
Consumables	7,767	8,664	9,573	10,172
	2,048,989	1,688,925	2,169,633	2,016,500

Note 1: Included in the finished goods related to consignment arrangements with two of our provincial-dealers for diamond inlaying products in the amount of RMB3.0 million, RMB1.7 million, RMB0.9 million and RMB0.8 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Note 2: Included K-gold and other gold products that we commissioned third parties to process.

Our inventories mainly included raw materials, work in progress, finished goods, goods in transit, consigned processing materials and consumables.

Our inventories decreased by RMB360.0 million to RMB1,688.9 million as of December 31, 2022, mainly due to our Group's operation was affected by pandemic in the fourth quarter of 2022 and our reduced procurement, leading to a lower inventories balance.

Our inventories increased to RMB2,169.6 million as of December 31, 2023, mainly due to (i) an increase in the gold price throughout 2023, and (ii) an increase in our inventories balance to normal levels after the restrictions in place because of the pandemic was lifted in early 2023, as compared to 2022.

Our inventories decreased by RMB153.1 million to RMB2,016.5 million as of June 30, 2024, mainly due to a decrease in value of finished goods as inventories by RMB285.7 million due to a decrease in our actual production volume of gold jewellery products which was partially offset by an increase in gold price which led to an increase in the value of our raw materials as inventories by RMB133.8 million.

The following table sets forth the ageing analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,959,098	1,551,779	2,095,496	1,933,408
1 to 2 years	39,677	84,649	48,085	59,365
Over 2 years	50,766	53,158	26,132	26,075
Provision	(552)	(661)	(80)	(2,348)
Total	**2,048,989**	**1,688,925**	**2,169,633**	**2,016,500**

Our jewellery production rate is generally in respond to market demand and inventory turnover so we generally do not have a significant amount of slow-moving or obsolete stock. Moreover, since our products are mostly made of gold, which possesses significant value. As such, write-downs usually only occur when the underlying value of the gold significantly deteriorates.

The following table sets forth a summary of average turnover days of inventories for the years or period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Average turnover days of inventories*(Note)*	42.7 days	45.6 days	36.8 days	40.8 days

Note: Average turnover days of inventories is derived from dividing the arithmetic mean of the opening and closing balances of inventories by our cost of sales in the respective year/period.

Our average inventories turnover days were 42.7 days, 45.6 days, 36.8 days and 40.8 days for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our average inventories turnover days typically range from one to two months, primarily as a result of our business model and the nature of our business as a gold jewellery manufacturer and retailer. Our inventories move from procurement, production, to marketing and sale of jewellery, which results in a higher inventories turnover days than what it would be if we were solely a jewellery retailer that does not engage in manufacturing.

Our average inventories turnover days were relatively stable and within the typical range from one to two months at 42.7 days, 45.6 days, 36.8 days and 40.8 days for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

As of September 30, 2024, RMB1,801.0 million or 89.3% of our inventories outstanding as of June 30, 2024 were settled.

Property, plant and equipment

Our property, plant and equipment mainly represented building, leasehold improvement, construction in progress, machinery, transportation equipment, electronics equipment and other equipment. Our property, plant and equipment increased from RMB294.7 million as of December 31, 2021 to RMB364.1 million as of December 31, 2022, increased to RMB400.0 million as of December 31, 2023 due to investments in the construction of production and office facilities, which was transferred to buildings during the year ended December 31, 2023, and an increase in the carrying amount of machinery. Our property, plant and equipment decreased by RMB8.3 million to RMB391.7 million as of June 30, 2024 due to provision for depreciation. The increase in construction in progress was mainly due to the construction of the premises where our manufacturing base is located; whereas the increase in machineries was mainly for expansion of our business scale and increase in product varieties. It is our business strategies to expand and upgrade our production facility to maintain our competitive strengths, which enable us to produce latest trend of jewellery speedily, to increase output and to achieve cost savings.

As of December 31, 2021, 2022 and 2023 and as of June 30, 2024, property, plant and equipment with carrying amount of RMB41.3 million, RMB37.8 million, RMB205.5 million and RMB223.0 million, respectively, were pledged to banks as collaterals for our borrowings and gold loans. The substantial increase in pledged assets as collateral for 2023 and the six months ended June 30, 2024 was mainly due to the completion of construction in progress, which was then transferred to buildings and pledged to banks during the year.

Right-of-use assets

During the Track Record Period, we leased various lands, offices and retail stores for our operations. Lease contracts are entered into for fixed terms ranging from one month to 50 years, with the 50-year lease being the maximum term for the land use rights. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Our lease agreements do not contain any contingent rent nor any extension, termination option or purchase option for lessee.

Our right-of-use assets decreased from RMB63.1 million as of December 31, 2021 to RMB55.2 million as of December 31, 2022 due to termination of leases and depreciation charge, and to RMB52.8 million as of December 31, 2023 due to depreciation charges. As of June 30, 2024, our right-of-use asset increased by RMB6.4 million to RMB59.2 million due to us renewing the lease for an exhibition hall in Shenzhen.

The carrying amount of our right-of-use assets of leasehold lands remained stable at RMB40.4 million as of December 31, 2021, RMB39.5 million as of December 31, 2022, RMB38.6 million as of December 31, 2023 and RMB38.2 million as of June 30, 2024, respectively. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of leasehold lands of RMB32.6 million, nil, RMB3.5 million and RMB3.5 million were pledged to banks as security for our Group's borrowings and gold loans.

The carrying amount of our right-of-use assets of leasehold properties decreased from RMB22.7 million as of December 31, 2021 to RMB15.7 million as of December 31, 2022, mainly due to depreciation charges of RMB10.5 million and termination of leases of RMB7.1 million, which was mainly in relation to a lease we did not renew for a property unit for an exhibition hall in Shenzhen, and we converted part of our rented office premises into an exhibition hall as a replacement. It then decreased to RMB14.2 million as of December 31, 2023, mainly due to depreciation charges of RMB8.7 million partially offset by the net addition of leased properties of RMB7.3 million. The carrying amount of our right-of-use assets of leasehold properties increased from RMB14.2 million as of December 31, 2023 to RMB21.1 million as of June 30, 2024, mainly due to us renewing the lease for an exhibition hall in Shenzhen.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our current prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Other receivables				
— Deposits	4,392	4,497	5,599	6,604
— Payments on behalf of employee	930	1,152	1,310	1,310
— Others	466	1,823	2,265	4,037
Less: Allowance for credit losses	(1,424)	(1,814)	(2,827)	(3,083)
Total other receivables	4,364	5,658	6,347	8,868
Prepayment to suppliers	3,297	7,314	9,880	8,786
Prepayments for [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid EIT	30,265	11,548	35,634	36,962
Deductible input value-added tax ("**VAT**")	116,361	78,947	106,130	84,671
Right to returned goods asset	115,533	150,373	218,353	241,869
Deferred share issue costs for initial [REDACTED] of [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid advertising expenses	6,532	6,511	4,594	3,044
Prepaid interest on gold loans	1,643	841	1,661	2,329
Others	747	729	779	1,728
Total	**278,742**	**261,921**	**399,406**	**404,722**

Our prepayments, deposits and other receivables mainly represented our deductible input VAT and right to returned goods asset. Our deductible input VAT was VAT mainly in relation to procurement of property, plant and equipment. Our right to returned goods asset represented the gold lending arrangement to our customers to replenish their inventories when they have urgent needs and the return policy of our diamond inlaying jewellery products. For gold lending, upon lending gold to our customers, the amount of the respective inventory would be transferred to right to returned goods asset on our management account. If the customer choose to procure all or part of such gold products, our customers will settle with us based on the prevailing gold price at settlement date, and we will recognize revenue accordingly and the corresponding amount in right to returned goods asset will be recognized as cost of sales. If the customer choose to return all or part of the gold products to us, the previously recognized right to returned goods asset will be reversed into inventories. For details of gold lending arrangement, see "Business — Sales and Distribution Channels — Franchisees and provincial-dealers management — Exhibition halls, gold lending and logistics arrangement".

Our current prepayments, deposits and other receivables decreased by RMB16.8 million to RMB261.9 million as of December 31, 2022. The decrease was mainly due to a decrease in deductible input VAT of RMB37.4 million and a decrease in prepaid EIT of RMB18.7 million, and partially offset by an increase in right to returned good assets in relation to gold lent to our customers to replenish inventory when they have urgent needs.

It then increased by RMB137.5 million to RMB399.4 million as of December 31, 2023 due to an increase in prepaid EIT of RMB24.1 million, the increase in deductible input VAT of RMB27.2 million, as well as an increase in the right to returned goods assets of RMB68.0 million in relation to the increase in gold prices and the increase of gold lent to franchisees or provincial-dealers to replenish their products for display.

As of June 30, 2024, our current prepayments, deposits and other receivables amounted to RMB404.7 million, representing an increase of RMB5.3 million or 1.3% when compared to that as of December 31, 2023. Such increase was primarily attributable to (i) an increase in the current portion of the right to returned goods asset by RMB23.5 million mainly as a result of an increase in gold price and increase in volume of gold lending and (ii) an increase in deferred expenses related to the [REDACTED] in the sum of RMB1.2 million, and partially offset by a decrease in deductible input VAT by RMB21.5 million due to a decrease in our procurement volume.

Non-current prepayments, deposits and other receivables

The following table sets forth the breakdown of our non-current prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Other receivables				
— Deposits	5,336	4,455	4,187	4,781
Less: Allowance for credit losses	(1,378)	(1,358)	(634)	(1,040)
Total other receivables	3,958	3,097	3,553	3,741
Prepayment for acquisition of non-current assets	12,650	9,838	10,307	14,936
Right to returned goods asset	42,321	34,068	27,642	18,067
Total	**58,929**	**47,003**	**41,502**	**36,744**

Our non-current prepayments, deposits and other receivables decreased by RMB11.9 million from RMB58.9 million to RMB47.0 million as of December 31, 2022 mainly due to a decrease in right to returned goods assets of RMB8.3 million. It then further decreased to RMB41.5 million as of December 31, 2023, mainly due to a decrease in the right to non-current returned goods asset. The right to returned goods assets primarily represented the accounting treatment in relation to our sales policy granted to certain provincial-dealers or franchisees of accepting diamond inlaying jewellery product exchange a period of five years. The prepayment for acquisition of non-current assets were mainly prepayment made for the purchase of property, plant and equipment. As of June 30, 2024, our non-current prepayments, deposits and other receivables decreased by RMB4.8 million, which was mainly due to a decrease in the non-current portion of the right to returned goods asset as a result of a decrease in provision made for return of diamond inlaying products, and partially offset by the increase in prepayment for acquisition of non-current assets by RMB4.6 million due to the prepayment made for procurement of new financial management software system.

As of September 30, 2024, RMB305.0 million or 69.1% of our prepayments, deposits and other receivables outstanding as of June 30, 2024 were settled.

Trade receivables

Our trade receivables primarily represented receivables from our customers.

The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	144,806	166,619	186,885	207,154
Less: allowance for credit losses	(46,813)	(35,697)	(36,372)	(35,948)
Total	**97,993**	**130,922**	**150,513**	**171,206**

Our net trade receivables increased from RMB98.0 million to RMB130.9 million as of December 31, 2022. It then increased to RMB150.5 million as of December 31, 2023 and further increased to RMB171.2 million as of June 30, 2024. The increase in trade receivables from 2021 to 2023 and as of June 30, 2024 was primarily due to the increase in the amount of sales to our customers.

In practice, when purchasing our products some of our franchisee choose to pay on spot or pay in advance before the delivery of the products for securing the gold price of the transaction with us. Our Group primarily allows a credit period around three to 90 days, except for certain credit worthy customers, where the credit periods are extended to a longer period. Our Group seeks to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. Our Group does not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing. See note 24 to the historical financial information in the Accountants' Report set out in Appendix I to this document for details.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on dates of delivery or rendering of services at the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	86,424	111,332	147,878	163,934
90–180 days	7,071	13,191	2,456	6,582
180 days–1 year	4,398	6,144	179	690
1–2 years	—	255	—	—
Total	**97,993**	**130,922**	**150,513**	**171,206**

As of December 31, 2021, 2022 and 2023 and June 30, 2024, an aggregate carrying amount of RMB4.8 million, RMB12.2 million, RMB3.0 million and RMB9.3 million respectively which were past due as of the reporting dates. Out of the past due balances, RMB3.4 million, RMB8.0 million, RMB2.4 million and RMB2.8 million has been past due less than 90 days, RMB1.4 million, RMB4.2 million, RMB0.6 million and RMB6.5 million respectively has been past due 90 days or more. Those past due were not considered as in default as there has not been a significant change in credit quality and the amounts were considered recoverable.

Our Group performs impairment analysis at each year end or period end date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the year end or period end date about past events, current conditions and forecasts of future economic conditions. As of January 1, 2021, we recorded a specific provision of RMB34.4 million for our trade receivables under ECL model, mainly due to financial difficulties of a prior-Track Record Period provincial-dealer. As of January 1, 2021, the total amount due from this provincial-dealer was RMB32.6 million, for which we made provision of RMB25.6 million. We initiated legal claims as plaintiff for recovery of such outstanding amount. As we managed to collect certain amount from this provincial-dealer through legal actions, we reversed our provision of RMB1.1 million, RMB0.5 million and nil for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, the amount due from this provincial-dealer was RMB24.0 million, which had been fully impaired. As of the Latest Practicable Date, our claims and legal proceedings against this provincial-dealer had been awarded in our favor but the judgment debt had not been fully enforced. Details of the impairment analysis are set out in notes 11 and 41 of the Accountants' Report in Appendix I to this document.

The following table sets forth a summary of average turnover days of trade receivables for the years or period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Average turnover days of trade receivables(Note)	2.0 days	2.7 days	2.5 days	2.9 days

Note: Average turnover days of trade receivables is derived from dividing the arithmetic mean of the opening and closing balances of trade receivables by our total revenue in the respective year/period.

Our average turnover days of trade receivables was 2.0 days, 2.7 days, 2.5 days and 2.9 days for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, which was in line with our credit policy and within the trade receivable turnover days of the industry.

The increase of our average turnover days of trade receivables for the year ended December 31, 2022 was mainly due to an increase in our net trade receivables from RMB98.0 million as of December 31, 2021 to RMB130.9 million as of December 31, 2022, mainly due to slower collection of trade receivables due to pandemic reason. The average turnover days of trade receivables remained relatively stable for the year ended December 31, 2023 and the six months ended June 30, 2024.

As of September 30, 2024, RMB133.2 million or 77.8% of our trade receivables outstanding as of June 30, 2024 were settled.

Pledged/restricted deposits

As of December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, pledged/restricted deposits included deposits pledged to banks to secure banking facilities, security deposits for issuance of notes payable, security deposits for gold loans, security deposits for gold trading accounts and others. The balances carried interest rates ranging from nil to 2.25%, nil to 2.25%, nil to 2.25% and nil to 2.25% per annum, respectively. Our pledged/restricted deposits were RMB569.5 million, RMB369.6 million, RMB528.8 million and RMB444.1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The decrease between 2021 and 2022 was mainly attributable to the reduction of our use of gold loans, while the rise as of December 31, 2023 was mainly for the purpose of securing our borrowings and gold loans for our business operation use. The decrease in our pledged/restricted deposits as of June 30, 2024, compared to December 31, 2023, was due to the reduction in bank acceptance bill deposits.

Trade and bills payables

Our trade payables increased from RMB45.6 million as of December 31, 2021 to RMB65.0 million as of December 31, 2022 mainly due to the growth of our business for the year ended December 31, 2022. We recorded trade payables of RMB41.8 million as of December 31, 2023. We recorded a decrease in our trade payables by RMB19.6 million from RMB41.8 million as of December 31, 2023 to RMB22.2 million as of June 30, 2024. Such changes were attributable to the payment made for an installment of the construction fee for our new office building.

Our trade payables primarily relate to purchase of raw materials and finished goods. Trade payables are non-interest bearing.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	—	—	470,000	280,000
Trade payables	45,560	64,953	41,787	22,191
Total	**45,560**	**64,953**	**511,787**	**302,191**

Our bills payables amounted to RMB280.0 million as of June 30, 2024. Our bills payables were in relation to bank bills that were applied to settle with an independent third-party supplier for our procurement of gold materials from it. All bills payable by our Group were with a maturity period of less than one year.

The following table sets forth the ageing analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	44,353	64,042	40,490	19,098
1 to 2 years	770	301	914	2,683
2 to 3 years	63	452	170	101
Over 3 years	374	158	213	309
Total	**45,560**	**64,953**	**41,787**	**22,191**

The following table sets forth a summary of average turnover days of trade and bills payables for the years or period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Average turnover days of trade and bills payables(Note)	0.9 days	1.3 days	5.5 days	7.9 days

Note: Average turnover days of trade and bills payables is derived from dividing the arithmetic mean of the opening and closing balances of trade and bills payables by cost of sales in the respective year/period.

Our procurement were mainly from Shanghai Gold Exchange during the Track Record Period, Shanghai Gold Exchange only accepts settlement with cash in specified account, so we have a low average turnover days of trade and bills payables. Our average turnover days of trade and bills payables were stable at 0.9 days and 1.3 days for the years ended December 31, 2021, 2022, respectively, which were in line with our normal settlement days and remained stable. We recorded trade and bills payable turnover days of 5.5 days for the year ended December 31, 2023, which were mainly in relation to bank bills of RMB470.0 million that were applied to settle with an independent third-party supplier for our procurement of gold materials from it. Our trade and bills payable turnover days for the six months ended June 30, 2024 were longer than those for the same period in 2023. In 2022, we did not use bank bills to finance our gold procurement, resulting in a low beginning balance for 2023. However, starting in 2023, we began procuring gold through trade and bills payable from an independent third-party supplier. As a result, we had a larger beginning balance of bank bills payables as of January 1, 2024. This difference in the beginning balances between the two periods contributed to the longer trade and bills payable turnover days observed in the first half of 2024. Excluding bills payable from the calculation, the trade payables turnover days were 1.0 days and 0.6 days for the year ended December 31, 2023 and six months ended June 30, 2024, respectively, which were stable and in line with the trade payables turnover days of 0.9 days and 1.3 days for the years ended December 31, 2021 and 2022, respectively.

As of September 30, 2024, RMB291.1 million or 96.3% of our trade and bills payables outstanding as of June 30, 2024 were settled.

Refund liabilities

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Refund liabilities	110,746	89,376	71,327	49,178
Analysed for reporting purposes as:				
Non-current liabilities	59,751	47,928	38,384	25,563
Current liabilities	50,995	41,448	32,943	23,615
Total	**110,746**	**89,376**	**71,327**	**49,178**

Under our standard contract terms, except for closures of stores, franchisees have no right to return any goods after its acceptance of the products but have a right to exchange unsold diamond inlaying jewellery within five years. Our Group estimate the percentage of exchange on a portfolio level with reference to historical pattern, in particular, historical product exchange rates in previous years. Revenue is recognized for sales which are considered highly probable that a significant reversal in the cumulative revenue recognized will not occur.

In addition, the following table sets forth the movement of refund liabilities during the Track Record Period:

	RMB'000
As of January 1, 2021	**108,309**
Provided for the year	46,795
Utilization of provision for the year	(44,358)
As of December 31, 2021	**110,746**
Provided for the year	32,617
Utilization of provision for the year	(53,987)
As of December 31, 2022	**89,376**
Provided for the year	22,913
Utilization of provision for the year	(40,962)
As of December 31, 2023	**71,327**
Provided for the year	7,905
Utilization of provision for the year	(30,054)
As of June 30, 2024	**49,178**

We estimate the percentage of exchanges on a portfolio basis, referencing historical patterns, particularly product exchange rates from previous years. Revenue is recognized for sales when it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. Conversely, if the goods are expected to be exchanged, a refund liability, instead of revenue, is recognized. Simultaneously, we recognize a right to returned goods asset, measured at the carrying amount of the inventories sold less any expected costs to recover the goods, with a corresponding adjustment to the cost of sales.

On the other hand, if goods are expected to be returned or exchanged, a refund liability, instead of revenue, is recognized, and at the same time, we will recognize a right to returned goods asset, which is measured at the carrying amount of the inventory sold less any expected costs to recover the goods.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables				
— deposits received	78,144	78,703	84,329	97,089
— accrued expenses	2,000	4,392	5,526	2,758
— accrued [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— rent and property fees payable	3	365	—	—
— others	1,062	1,150	1,893	3,610
Total other payables	81,209	84,610	92,277	107,823
Rent received in advance	2,756	3,274	2,693	1,891
Other tax payable	8,205	13,734	16,898	50,590
Salaries, welfare and bonus payable	25,088	21,369	27,274	21,999
Total	**117,258**	**122,987**	**139,142**	**182,303**

Our other payables and accruals mainly represented deposits received, salaries, welfare and bonus payable, accrued expenses, and other tax payable. Our other payables and accruals increased from RMB117.3 million as of December 31, 2021 to RMB123.0 million as of December 31, 2022. It was mainly due to an increase in other tax payable as a result of contract liabilities which we received advance payments on sales which had not been recognized as revenue. It further increased by RMB16.2 million to RMB139.1 million as of December 31, 2023, primarily due to an increase in other tax payable and an increase in salaries, welfare and bonus payable. Our other payables and accruals further increased by RMB43.2 million to RMB182.3 million as of June 30, 2024, which was primarily attributable to (i) an increase in deposits received in the sum of RMB12.8 million and (ii) an increase in other tax payable by RMB33.7 million.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss comprised bank financial products and structured products incurred during the year as of December 31, 2021. The following table sets forth a summary of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Financial products	**6,011**	**—**	**—**	**—**	**—**

Our financial assets at fair value through profit or loss were RMB6.0 million, nil, nil and nil as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The financial products were for investment yield enhancement purpose and were classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest. As of December 31, 2021, the financial products were issued by banks in the PRC. The principals and returns of the financial products are not guaranteed and the expected rates of return of the structured deposits are linked to the fluctuation of London Interbank Offered Rate ("**LIBOR**").

As of December 31, 2022 and 2023 and June 30, 2024, we ceased to maintain any structured deposits and financial products.

Contract liabilities

A contract liability represents our Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities were expected to be recognized as revenue in the next 12 months. The contract liabilities arose when customers made advance payment to us for their purchases, which the customers can fix the purchase price of the gold jewellery to be purchased in advance. Our contract liabilities increased from RMB27.2 million as of December 31, 2021 to RMB39.0 million as of December 31, 2022, further increased to RMB42.2 million as of December 31, 2023 and increased to RMB72.9 million as of June 30, 2024. The increase in contract liabilities during the Track Record Period was primarily due to the increase in advance payments made by customers.

As of September 30, 2024, RMB51.9 million or 71.2% of our contract liabilities outstanding as of June 30, 2024 were recognised as revenue.

CASH FLOWS

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a consolidation of cash flow generated from our operations and bank borrowings.

The following table sets forth a summary of our cash flows information for the years indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating cash flows before movements in working capital	413,775	335,055	436,444	180,668	110,327
(Increase)/decrease in inventories	(310,623)	258,296	(392,078)	(428,498)	84,691
(Increase)/decrease in pledged/ restricted deposits	(28,078)	389	(65,868)	(63,751)	(10,269)
(Increase)/decrease in trade receivables	(21,955)	(19,050)	(21,937)	9,449	(20,964)
(Increase)/decrease in prepayments, deposits and other receivables	10,251	17,219	(91,653)	(92,170)	9,289
(Decrease)/increase in refund liabilities	2,438	(21,370)	(18,049)	574	(22,149)
Increase/(decrease) in provision	20	(210)	—	—	—
Increase/(decrease) in trade and bills payables	32,616	7,987	471,665	268,638	(196,760)
(Decrease)/increase in other payables and accruals	(8,181)	(17,958)	16,137	5,158	40,760
Increase in contract liabilities	20,137	11,829	3,129	72,710	30,714
Cash (used in)/generated from operations	110,400	572,187	337,790	(47,222)	25,639
Income taxes paid	(97,903)	(32,568)	(92,332)	(9,362)	(30,379)
Interest paid for gold loans	(19,948)	(18,526)	(17,272)	(7,130)	(9,646)
Interest received	1,577	765	1,490	689	701

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash (used in)/from operating activities	(5,935)	522,670	229,676	(63,025)	(13,685)
Net cash (used in)/from investing activities	15,779	136,741	(190,132)	(268,836)	65,028
Net cash from/(used in) financing activities	86,526	(587,620)	(108,931)	273,566	156,733
Net (decrease)/increase in cash and cash equivalents	96,370	71,791	(69,387)	(58,295)	208,076
Cash and cash equivalents at beginning of the year	57,151	153,518	225,359	225,359	155,866
Effect of foreign exchange rate changes	(3)	50	(106)	(47)	92
Cash and cash equivalents at end of the year	**153,518**	**225,359**	**155,866**	**167,017**	**364,034**

Net cash (used in)/from operating activities

Net cash used in operating activities for the six months ended June 30, 2024 was RMB13.7 million, primarily due to profit before tax of RMB66.9 million, as adjusted for certain non-cash and/or non-operating items (i) finance costs of RMB35.4 million, (ii) depreciation of property, plant and equipment of RMB22.1 million, (iii) net unrealized gain on gold loans of RMB20.4 million, which in turn, was a result of a decrease in gold price in June 2024, and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) decrease in trade and bills payables of RMB196.8 million, (ii) decrease in refund liabilities of RMB22.1 million, (iii) increase in trade receivables of RMB21.0 million, and partially offset by (iv) decrease in inventories of RMB84.7 million, (v) increase in other payables and accruals of RMB40.8 million and (vi) increase in contract liabilities of RMB30.7 million. We recorded net cash used in operating activities of RMB13.7 million for the six months ended June 30, 2024. Such result was largely attributable to decrease in trade and bills payables of RMB196.8 million, which in large part was in relation to our settling bills we applied to procure raw materials. Going forward, to improve the net cash position of our operating activities, we seek to (i) schedule payments to suppliers and utilize financial instruments such as bills, and (ii) continue to optimize our inventory level. We strive to avoid cash outflows required to settle payables and/or procure inventory that materially exceeds cash inflow from operating activities. We believe such measures, in turn, will better ensure a net cash inflow from operating activities.

Net cash from operating activities was RMB229.7 million in 2023, primarily due to profit before tax of RMB305.1 million, as adjusted for certain non-cash and/or non-operating items (i) net unrealized loss on gold loans of RMB19.7 million, which in turn, was a result of an overall increase of gold price in 2023, (ii) finance costs of RMB63.1 million, (iii) depreciation of property, plant and equipment of RMB37.5 million, and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in pledged/restricted deposits of RMB65.9 million, (ii) increase in inventories of RMB392.1 million, (iii) increase in prepayments, deposits and other receivables of RMB91.7 million, and partially offset by (iv) increase in trade and bills payables of RMB471.7 million and (v) increase in other payables and accruals of RMB16.1 million.

Net cash generated from operating activities was RMB522.7 million in 2022, primarily due to profit before tax of RMB244.2 million, as adjusted for certain non-cash and/or non-operating items (i) net unrealized loss on gold loans of RMB8.9 million, which in turn, was a result of the continuous rise in gold prices, (ii) finance costs of RMB56.9 million, (iii) depreciation of property, plant and equipment of RMB27.8 million, (iv) depreciation of right-of-use assets of RMB11.4 million, (v) net reversal of impairment losses under expected credit loss model of RMB10.1 million and (vi) changes in working capital. Adjustments for changes in working capital primarily included (i) decrease in inventories of RMB258.3 million, (ii) decrease in prepayments, deposits and other receivables of RMB17.2 million, and partially offset by (iii) decrease in refund liabilities of RMB21.4 million, (iv) increase in trade receivables of RMB19.1 million and (v) decrease in other payables and accruals of RMB18.0 million.

Net cash used in operating activities was RMB5.9 million in 2021, primarily due to profit before tax of RMB295.9 million, as adjusted for certain non-cash and/or non-operating items (i) net unrealized loss on gold loans of RMB1.0 million, which in turn, was a result of market gold price effect on the outstanding gold loan balance on hand as of December 31, 2021, (ii) finance costs of RMB64.2 million, (iii) depreciation of property, plant and equipment of RMB27.8 million, and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in inventories of RMB310.6 million, (ii) increase in pledged/restricted deposits RMB28.1 million, (iii) increase in trade receivables of RMB22.0 million and partially offset by (iv) increase in trade and bills payables of RMB32.6 million, (v) decrease in prepayments, deposits and others receivables of RMB10.3 million and (vi) increase in contract liabilities of RMB20.1 million.

During the Track Record Period, having considered that our operating cash flows before movements in working capital were RMB413.8 million, RMB335.1 million, RMB436.4 million and RMB110.3 million for the three years ended December 31, 2023 and the six months ended June 30, 2024, respectively, which were relatively stable, our net operating cash outflows during the Track Record Period was mainly attributable to changes in the volume of our gold inventories and the upward trend in the market price of gold.

At the end of each reporting period during the Track Record Period, our inventory balance accounted for over 50% of the total assets, and gold inventories (excluding K-gold) accounted for more than 80% of the total inventory balance. Changes in inventory balances were mainly affected by gold price fluctuations and our inventory management strategies on the volume of gold raw materials we were to hold for our production needs for the relevant year. Thus, an increase in gold prices and the volume of gold inventories contributes to an operating cash outflow.

Affected by the pandemic in the fourth quarter of 2022, we took the initiative to reduce inventory levels. The balance of inventories decreased from RMB2,049.0 million as of December 31, 2021 to RMB1,688.9 million as of December 31, 2022. As a result of the inventories decrease during 2022, we recorded net cash inflow from operating activities.

In 2023, due to a more positive business outlook, we implemented inventory management strategies for scaling up our production. Such decision coupled with increase in gold price led to higher revenue but with more cash spent on procurement of gold raw materials, and as a result, we have reverted to having net operating activities cash inflow.

However, since gold inventories are highly liquid and valuable, our Directors are of the view that our Group's operating conditions remain healthy and stable and are not subject to any material risks on cashflow and liquidity.

Net cash generated from/(used in) investing activities

Net cash from investing activities was RMB65.0 million for the six months ended June 30, 2024, primarily due to (i) withdrawal of pledged/restricted deposits of RMB265.0 million, and (ii) proceeds from disposal of financial products and structured deposits of RMB6.0 million, partially offset by (i) placement of pledged/restricted deposits of RMB170.0 million, (ii) purchase of property, plant and equipment of RMB24.8 million and (iii) purchase of intangible assets of RMB6.7 million.

Net cash used in investing activities was RMB190.1 million in 2023, primarily due to (i) placement of pledged/restricted deposits of RMB765.0 million and (ii) purchase of plant, property and equipment of RMB99.7 million, partially offset by withdrawal of pledged/restricted deposits of RMB671.0 million.

Net cash generated from investing activities was RMB136.7 million in 2022, primarily due to (i) placement of pledged/restricted deposits of RMB380.0 million, (ii) purchase of financial products and structured deposits of RMB107.1 million and (iii) purchase of plant, property and equipment of RMB73.7 million, partially offset by (i) withdrawal of pledged/restricted deposits of RMB580.5 million and (ii) proceeds from disposal of financial products and structured deposits of RMB113.2 million.

Net cash generated from investing activities was RMB15.8 million in 2021, primarily due to (i) purchase of financial products and structured deposits of RMB997.4 million and (ii) placement of pledged/restricted deposits of RMB476.1 million, partially offset by (i) proceeds from disposal of financial products and structured deposits of RMB1,074.0 million and (ii) withdrawal of pledged/restricted deposits of RMB485.1 million.

Net cash from/(used in) financing activities

Net cash from financing activities was RMB156.7 million for the six months ended June 30, 2024, primarily consisting of (i) proceeds from borrowings of RMB904.3 million, and was partially offset by (i) repayments of borrowings of RMB623.7 million, (ii) dividends paid to shareholders of RMB91.6 million, and (iii) interest paid of RMB26.0 million.

Net cash used in financing activities was RMB108.9 million in 2023, primarily consisting of repayment of borrowings of RMB1,465.8 million, and was partially offset by (i) proceeds from borrowings of RMB1,424.7 million and (ii) interest paid of RMB44.4 million.

Net cash used in financing activities was RMB587.6 million in 2022, primarily consisting of (i) repayment of borrowings of RMB1,642.5 million, (ii) dividend distribution of RMB78.7 million and (iii) interest paid of RMB39.1 million, and was partially offset by (i) proceeds borrowings of RMB1,136.0 million and (ii) proceeds from issue of shares of RMB50.0 million, which represented [REDACTED].

Net cash from financing activities was RMB86.5 million in 2021, primarily consisting of (i) repayment of borrowings of RMB1,385.0 million and (ii) interest paid of RMB43.5 million, and was partially offset by proceeds of borrowings of RMB1,525.5 million.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources available to us, which is primarily our internal resources, our banking facilities and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and borrowings, or breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and [REDACTED]" in the document.

CAPITAL EXPENDITURES

During the Track Record Period, our Group incurred capital expenditures of RMB73.5 million, RMB75.5 million, RMB101.1 million and RMB31.5 million for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively. Our capital expenditures comprised of purchase of property, plant and equipment, purchases of intangible assets and payment for leasehold lands, where the majority of which was related to purchase of property, plant and equipment for upgrading our production facility in Shandong, PRC.

We have an upgrade and expansion plan of our production facility initiated in 2019 which estimated to require a total capital expenditure budget of RMB[REDACTED] million. See the sections headed "Future Plans and [REDACTED]", "Business — Production Expansion Plan" and "Risk Factors — We expect to incur additional capital expenditure and depreciation expenses associated with the expansion of our production facilities" for further details.

CAPITAL COMMITMENTS

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our Group incurred capital commitments of RMB12.1 million, RMB8.8 million, RMB8.3 million and RMB10.0 million.

Details of our Group's capital commitments are disclosed in note 40 to the historical financial information in the Accountants' Report in Appendix I to this document.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**
Borrowings	1,336,920	829,627	790,041	1,070,379	1,037,928
Gold loans	486,998	394,143	502,508	413,627	469,352
Lease liabilities	28,204	18,223	15,992	23,000	16,234
Total	**1,852,122**	**1,241,993**	**1,308,541**	**1,507,006**	**1,523,514**

As of the latest practicable date for the purpose of this indebtedness statement, being September 30, 2024, our Group had outstanding indebtedness representing bank borrowings of RMB1,037.9 million, gold loans of RMB469.4 million and lease liabilities of RMB16.2 million. As of September 30, 2024, we had available banking facilities of RMB1,919.0 million, of which RMB390.0 million was unutilized.

Bank Borrowings

Our bank borrowings consist of bank borrowings and bank borrowings relating to bills discounted with recourse. Our bank borrowings were RMB1,336.9 million, RMB829.6 million, RMB790.0 million, RMB1,070.4 million and RMB1,037.9 million as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, respectively. For the year ended December 31, 2022, we experienced a decrease in borrowings due to the inability to timely renew certain borrowings when there was business disruption to banks caused by the pandemic. For the year ended December 31, 2023 and for the six months ended June 30, 2024, we have utilized more bills to pay for the procurement of gold raw materials.

The following table sets out our borrowings as at the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Guaranteed and secured *(notes i & ii)*	1,168,178	579,356	569,820	588,734	538,647
Unguaranteed and secured *(note i)*	48,584	—	29,981	308,869	168,867
Guaranteed and unsecured *(note ii)*	120,158	250,271	190,240	172,776	330,414
	1,336,920	829,627	790,041	1,070,379	1,037,928

Notes:

i. The secured borrowings were secured by the pledge of certain bank deposits, property, plant and equipment (including properties owned by Mr. Wang Zhongshan, the controlling shareholder of the Company), right-of-use assets, investment properties, inventories, patents and/or trade receivables.

ii. The guaranteed bank borrowings and other borrowings were guaranteed by the controlling shareholders of the Company, Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin (as at December 31, 2021 only), and certain subsidiaries of the Group. For further details, please refer to the section headed "Relationship with Our Controlling Shareholder — Financial Independence".

Our carrying amounts of gold loans were RMB487.0 million, RMB394.1 million, RMB502.5 million, RMB413.6 million and RMB469.4 million as of December 31, 2021, 2022 and 2023 and June 30, 2024 and September 30, 2024, respectively. During 2022, our Group experienced a decline in the utilization of gold loans, primarily driven by the implementation of more stringent conditions imposed by banks on obtaining gold loans. This shift can be attributed to the internal policies of banks, which aimed to restrict the use of gold loans. As a result, our Group had temporarily adjusted our approach and reduced our utilization of gold loans accordingly. For the year ended December 31, 2023 and for the six months ended June 30, 2024, we have utilized more bills to pay for the procurement of gold raw materials.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining banking facilities. Our banking facilities were secured by certain bank deposits, property, plant and equipment (including properties owned by the Controlling Shareholder), right-of-use assets, patents or investment properties. All personal guarantees provided by our de facto controllers, Mr. Wang Zhongshan and Ms. Zhang Xiuqin for our Group's indebtedness will be released upon [REDACTED], and will be released and replaced with guarantee/mortgage to be provided by our Company and/or members of our Group.

Save as disclosed above, as of September 30, 2024, being the latest practicable date for the purpose of the indebtedness statement, we did not have any banking facilities, outstanding loan capital, debt securities issued or agreed to be issued, bank overdrafts or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities, or any covenant in connection therewith on a consolidated basis.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were (i) no material covenants and (ii) no breaches of covenant related to any of our outstanding debt. In addition, there have been no material changes in the indebtedness since September 30, 2024 and up to the date of the Document.

Lease liabilities

At the commencement date of a lease, our Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. We had lease liabilities of RMB28.2 million, RMB18.2 million, RMB16.0 million, RMB23.0 million and RMB16.2 million as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024 respectively. The decrease in lease liabilities from 2021 to 2023 were mainly due to the lapse of lease terms of properties leased by us, while the increase in lease liabilities for the six months ended June 30, 2024 was attributable to our renewing the lease for an exhibition hall in Shenzhen. Our lease liabilities decreased by RMB6.8 million to RMB16.2 million as of September 30, 2024, such decrease was primarily due to lease payments made in accordance with payment schedule in relevant lease agreements.

The following table sets out the carrying amounts of our lease liabilities as at the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Lease liabilities payable:					
Within one year	12,028	9,600	7,711	11,276	9,467
Within a period of more than one year but not exceeding two years	10,799	4,564	5,692	8,247	5,009
Within a period of more than two years but not exceeding five years	5,377	4,059	2,589	3,477	1,758
	28,204	18,223	15,992	23,000	16,234
Analysed as:					
Amounts due for settlement within one year shown under current liabilities	12,028	9,600	7,711	11,276	9,467
Amounts due for settlement after one year shown under non-current liabilities	16,176	8,623	8,281	11,724	6,767

The lease liabilities of approximately RMB28.2 million, RMB17.0 million, RMB16.0 million, RMB23.0 million and RMB16.2 million were secured by the rental deposits of approximately RMB2.7 million, RMB1.9 million, RMB2.4 million, RMB2.2 million and RMB1.6 million, respectively as of December 31, 2021, 2022 and 2023 and June 30, 2024 and September 30, 2024. The incremental borrowing rates applied to lease liabilities range from 5.22% to 5.88% for each of the three years ended December 31, 2021, 2022 and 2023, from 4.49% to 5.88% for the six months ended June 30, 2024.

Interest-bearing bank borrowings

Our interest-bearing bank borrowings amounted to RMB1,336.9 million, RMB829.6 million, RMB790.0 million and RMB1,070.4 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. We experienced a decrease in interest-bearing bank borrowings in the year ended December 31, 2022 due to inability to renew bank borrowings relating to bills discounted with recourse in time due to limited operation of banks during the pandemic. All of our interest-bearing bank borrowings are fixed-rate borrowings repayable within one year and shown under current liabilities.

As of December 31, 2021, 2022 and 2023, June 30, 2024, our interest-bearing bank borrowings carry interest at 1.78% to 5.83%, 2.08% to 5.83%, 3.60% to 5.51%, 3.25% to 7.92% per annum, respectively.

Gold loans

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Gold loans	486,998	394,143	502,508	413,627	469,352

Our gold loans amounted to RMB487.0 million, RMB394.1 million, RMB502.5 million, RMB413.6 million and RMB469.4 million as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, respectively.

Our Group borrows gold from commercial banks for 3 months to 12 months and pays a fixed fee to bank for the duration of the contract based on the value of gold at inception and relevant interest rates at inception. Fixed fees presented as interest rates, were 2.1% to 4.3%, 2.6% to 4.4%, 3.1% to 5.5% and 3.5% to 4.7% during the Track Record Period. At maturity, our Group is obliged to deliver gold of the same type, quantity and quality to bank. Our Group does not have an option to settle its obligation in cash. Gold loans representing the obligation to deliver gold are classified as liabilities at FVTPL at initial recognition.

During the Track Record Period, the gold loans were secured by property, plant and equipment, the pledge of certain bank deposits, right-of-use assets or investment properties and guaranteed by Mr. Wang Zhongshan, Ms. Zhang Xiuqin or Mr. Wang Guoxin, the Controlling Shareholders, and certain subsidiaries of the Group.

Contingent liabilities

As of September 30, 2024, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

Our Directors confirm that there has been no material off-balance sheet arrangement since June 30, 2024 to the date of this document.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in note 44 to the historical financial information in the Accountants' Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favorable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

During the Track Record Period, our Group entered into the following transactions with related parties:

		Year ended December 31,			Six months ended June 30,
Relationship	**Nature of transaction**	**2021**	**2022**	**2023**	**2024**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
The Controlling Shareholders Group . . .	Short-term lease expenses	—	24	191	179

Short-term lease expenses with the Controlling Shareholders represented the vehicle lease entered into between Wang Na as lessor and Beijing Mokingran as lessee, pursuant to which Wang Na agreed to lease her vehicle to our Group at a monthly rental rate of RMB2,000.

Except for the above short-term lease in which we applied recognition exemption, our Group has recognized an addition of right-of-use assets and lease liabilities of RMB1.5 million for the year ended December 31, 2022 for the lease of retail stores with the Controlling Shareholders Wang Zhongshan and Zhang Xiuqin as landlords and Changle Chengxin as tenant for our use of sales of jewellery. The lease was terminated early on June 30, 2023.

KEY FINANCIAL RATIOS

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

	As of/Year ended December 31,			As of/ Six months ended June 30,
	2021	2022	2023	2024
Gross profit margin(1)	3.2%	4.8%	5.3%	6.2%
Net profit margin(2)	1.3%	1.1%	1.2%	0.5%
Return on equity(3)	15.7%	11.2%	12.9%	N/A
Return on total assets(4)	6.4%	5.2%	6.4%	N/A
Current ratio(5)	1.5 times	1.8 times	1.7 times	1.6 times
Quick ratio(6)	0.5 times	0.7 times	0.6 times	0.7 times
Gearing ratio(7)	86.8%	49.1%	41.1%	56.8%
Debt to equity ratio(8)	76.9%	35.8%	33.0%	37.5%

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year/period.

(2) Net profit margin was calculated based on net profit after taxes divided by revenue for the respective year/period.

(3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%. Return on equity for the six months ended June 30, 2024 is not meaningful as it may not be comparable to the ones for the full year.

(4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%. Return on total assets for the six months ended June 30, 2024 is not meaningful as it may not be comparable to the ones for the full year.

(5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.

(6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities as of the relevant dates.

(7) Gearing ratio was calculated based on total borrowings divided by total equity as of the relevant dates and multiplied by 100%.

(8) Debt to equity ratio was calculated based on total borrowings net of cash and cash equivalents divided by total equity as of the relevant date and multiplied by 100%.

Gross profit margin

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit margin was approximately 3.2%, 4.8%, 5.3% and 6.2%, respectively. See "— Review of Historical Results of Operations" above for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Net profit margin

Our net profit margin was 1.3%, 1.1%, 1.2% and 0.5% respectively, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

Return on equity

Our return on equity decreased from 15.7% for the year ended December 31, 2021 to 11.2% for the year ended December 31, 2022 mainly due to the significant amount of losses recognized in other gains and losses, net due to Au (T+D) where gold price was on an upward trend in 2022. Our return on equity was 12.9% for the year ended 2023, mainly due to higher profit driven by revenue growth in 2023 and our sales were affected by pandemic for the year 2022.

Return on total assets

Our return on total assets decreased from 6.4% for the year ended December 31, 2021 to 5.2% for the year ended December 31, 2022, which were in line with the trend in return on equity. Our return on total assets was 6.4% for the year ended 2023, which were in line with the trend in return on equity.

Current ratio and quick ratio

Our current ratios remained stable at 1.5x, 1.8x, 1.7x and 1.6x as of December 31, 2021, 2022, and 2023 and June 30, 2024, respectively.

Our quick ratio remained relatively stable and was 0.5 times, 0.7 times, 0.6 times and 0.7 times as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, which were generally in line with the trend of current ratio.

Gearing ratio

Our gearing ratio was 86.8%, 49.1%, 41.1% and 56.8% as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The decrease in our gearing ratio from 86.8% as of December 31, 2021 to 49.1% as of December 31, 2022 was primarily due to the decrease in borrowings because we did not renew certain borrowings caused by limited operations during the pandemic in the fourth quarter of 2022. Our gearing ratio then remained relatively stable at 41.1% as of December 31, 2023, and further increased to 56.8% as of June 30, 2024 as we incurred more borrowings.

Debt to equity ratio

Our debt to equity ratio was 76.9%, 35.8%, 33.0% and 37.5% as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The trend in our debt to equity ratio was in line with our gearing ratio.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market, such as market risk, credit risk and liquidity risk.

Market risk

(i) ***Commodity price risk***

The Group is principally engaged in the sales of jewellery including gold products in the PRC. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans as well as derivative financial instruments of gold contracts, such as Au (T+D) contracts, to reduce its exposure to fluctuations in the gold price on gold products. Should the gold price go up, the Group would recognize a loss representing the increase in gold price compared to the contract price, and largely net against the increase in turnover of gold products as a result of gold price increase.

The Au (T+D) contracts are settled on a daily basis and the differences between the contract price and market price are immediately recognized in the consolidated statements of profit or loss and other comprehensive income.

The gold loans are settled at maturity which usually mature in three to 12 months from date of inception and the fair value changes are immediately recognized in the consolidated statements of profit or loss and other comprehensive income. The gold price exposures are monitored by management in a timely manner.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, if the market price of gold had increased/decreased by 5%, post-tax profit for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, due to changes in fair values of gold loans, would have been approximately RMB18.3 million, RMB14.8 million, RMB18.8 million and RMB15.5 million lower/higher respectively.

(ii) ***Interest rate risk***

Our Group's fair value interest rate risk relates primarily to pledged/restricted deposits, fixed-rate borrowings, gold loans and lease liabilities. Our Group are also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances, which carry prevailing market interest rates. Our Group manage interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

Details of the market risk we are exposed are set out in note 41 to the historical financial information in the Accountants' Report set out in Appendix I to this document.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position (including trade receivables, other receivables, pledged/restricted deposits and cash and cash equivalents).

Details of the credit quality and the maximum exposure to credit risk we are exposed are set out in note 41 to the historical financial information in the Accountants' Report set out in Appendix I to this document.

Liquidity risk

In the management of the liquidity risk, the management of our Group monitors and maintains a reasonable level of cash and cash equivalents which is deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

Details of the maturity profile of our financial liabilities are set out in note 41 to the historical financial information in the Accountants' Report set out in Appendix I to this document.

[REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised the total estimated [REDACTED] in connection with the [REDACTED] (including [REDACTED]) was RMB[REDACTED] million (including (i) [REDACTED]-related expenses (including but not limited to commissions and fees) of approximately RMB[REDACTED] million, and (ii) [REDACTED] related expenses of approximately RMB[REDACTED] million, which consist of fees and expenses paid to legal advisors and Reporting Accountants of approximately RMB[REDACTED] million, and other fees and expenses of approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], (based on the [REDACTED] of HK$[REDACTED] per [REDACTED] and assuming [REDACTED] is not exercised).

During the Track Record Period, RMB[REDACTED] million of [REDACTED] and [REDACTED] has been incurred. For the years ending December 31, 2024, we expect to incur [REDACTED] of RMB[REDACTED] million, respectively, of which an estimated amount of RMB[REDACTED] million will be charged to profit or loss and RMB[REDACTED] million will be accounted for as a deduction from equity upon successful [REDACTED] under relevant accounting standards, respectively. The [REDACTED] above were the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

DIVIDENDS

The dividend declared by our Group to the shareholders was nil, RMB78.7 million, nil and RMB91.6 million for the years ended December 31, during 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively. All dividends declared have been fully settled by cash.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations. Historical dividend distributions are not indicative of our future dividend distribution.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

PROPERTY VALUATION

Cushman & Wakefield Limited, an independent property valuer, has valued certain of our property interests as of August 31, 2024 and is of the opinion that the total market value in existing state as of such date was RMB119.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document. A reconciliation of the net book value of our properties as of June 30, 2024 as set out in the "Accountants' Report" in Appendix I to this document to their fair value as of August 31, 2024 as stated in the property valuation report as set out in Appendix III to this document is set out below:

1. Office units located in Tianjin

	RMB'000
Net book value as of June 30, 2024	22,140
Movement for the period from June 30, 2024 to August 31, 2024 (unaudited)	(312)
Net book value as of August 31, 2024 (unaudited)	21,828
Net valuation surplus	31,172
Valuation of the properties owned by our Group as of August 31, 2024 as set out in the property valuation report in Appendix III to this document	53,000

2. Factory located in Tianjin

	RMB'000
Net book value as of June 30, 2024	53,160
Movement for the period from June 30, 2024 to August 31, 2024 (unaudited)	(320)
Net book value as of August 31, 2024 (unaudited)	52,840
Net valuation surplus	2,160
Valuation of the properties owned by our Group as of August 31, 2024 as set out in the property valuation report in Appendix III to this document	55,000

3. Commercial property units located in Beijing

	RMB'000
Net book value as of June 30, 2024	3,297
Movement for the period from June 30, 2024 to August 31, 2024 (unaudited)	(68)
Net book value as of August 31, 2024 (unaudited)	3,229
Net valuation surplus	7,771
Valuation of the properties owned by our Group as of August 31, 2024 as set out in the property valuation report in Appendix III to this document	11,000

DISTRIBUTABLE RESERVES

Our Company was as a limited liability company on September 8, 2000 and converted into a joint-stock company with limited liability under the Company Law of the PRC on June 29, 2018. Reserves available for distribution to our Shareholders as of December 31, 2023 amounted to RMB490.7 million.

[REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — [REDACTED] Financial Information" to this document for details.

NO MATERIAL AND ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider sufficient, that, as of the date of this Document, there had been no material adverse change in our financial, trading position, prospects, gross profit margin or revenue since June 30, 2024 and there has been no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

See "Summary — Recent Developments and No Material and Adverse Change" for further details of recent developments of our Group.

FUTURE PLANS AND PROSPECTS

See "Business — Our Strategies" for a detailed description of our future plans and prospects.

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] stated in this document, assuming [REDACTED] is not exercised. If the [REDACTED] is set at HK$[REDACTED] per [REDACTED], being the high end of the indicative [REDACTED], the [REDACTED] from the [REDACTED] will be HK$[REDACTED] million. If the [REDACTED] is set at HK$[REDACTED] per [REDACTED], being the low end of the indicative [REDACTED], the [REDACTED] from the [REDACTED] will be HK$[REDACTED] million.

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] [and that the [REDACTED] is not exercised], we currently intend to apply these [REDACTED] for the following purposes:

- approximately [REDACTED]%, or HK$[REDACTED] million (RMB[REDACTED] million), will be used for enhancing our production capabilities by upgrading our production facility in Weifang, Shandong with a view to achieve further business growth:

  It is one of our major business objectives to complete the upgrade of our production facilities located in the Economic and Technological Development Zone in Changle County, Weifang City, Shandong Province, the PRC. We anticipate that the upgraded production facility will be fully completed by December 2025.

  The upgrade plan construction was initiated in 2019 and was estimated to require a total capital expenditure budget of RMB[REDACTED] million for fixed assets. As of June 30, 2024, approximately RMB[REDACTED] million has been invested, which was primarily used for construction of our major buildings, land investment, purchase of office furniture, and acquisition of office software. We intend to apply RMB[REDACTED] million of [REDACTED] on the upgrade plan. We intend to apply RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million on constructions costs, equipment purchase costs and installation costs and other expenses, respectively. Our Directors expect that the remaining capital expenditure budget of RMB[REDACTED] million as of June 30, 2024 in relation to the above facility upgrade will be financed by our internal resources and external financing.

We intend to allocate RMB[REDACTED] million of [REDACTED] to upgrade our production facilities. The construction of our major production workshop officially commenced in 2019. As of June 30, 2024, we have relocated all production processes to the major production workshop, except for gold purification operations.

For refurbishment of the production area, we plan to continuously improve and upgrade our major production workshop's manufacturing facilities to meet market demands and enhance manufacturing efficiency, the upgrade of which is expected to complete by December 2025. We plan to start construction of the staff quarters in 2024, with completion expected by December 2025.

The following table sets forth details of the floor areas, timeframe, allocation of [REDACTED] and cost breakdown for each of the major buildings:

Buildings	Floor area	Timeframe	Estimation of [REDACTED] on the upgrade plan	Cost breakdown
Major production workshop . . .	74,146 sq.m.	Started in 2019, was essentially completed in 2023 and is expected to be fully completed in December 2024	RMB[REDACTED] million	(i) Construction costs: RMB[REDACTED] million, primarily for earthworks, masonry, and other major building constructions; (ii) Installation cost: RMB[REDACTED] million, primarily including floor and wall decorations, equipment installations and beautification projects; and (iii) Other expenses: RMB[REDACTED] million, including the purchase of manufacturing equipment, setup and calibration and ongoing operational expenses.
Staff canteen . . .	9,143 sq.m.	Started in 2019 and has been in use by our employees since 2024	RMB[REDACTED] million	(i) Construction costs: RMB[REDACTED] million, primarily allocated to earthworks, masonry, and concrete and reinforcement works; (ii) Installation cost: RMB[REDACTED] million, primarily including floor and wall decorations, equipment installations and beautification projects; and (iii) Other expenses: RMB[REDACTED] million, including the purchase of kitchen equipment, and ongoing operational expenses.
Staff quarters . . .	20,623 sq.m.	Expected to begin construction in early 2025 and to be fully completed by December 2025	RMB[REDACTED] million	N/A*(Note)*
Refurbishment of the production area	6,000 sq.m.	Expected to begin construction in early 2025 and to be fully completed by December 2025	RMB[REDACTED] million	N/A*(Note)*

Note: We plan to schedule the quotations for our staff quarters and refurbishment of the production area in December 2024.

Other miscellaneous construction works include warehouse, security centers and groundwork.

The major equipment purchase cost include production lines of gold and K-gold, production lines of platinum products, spring clasps assembly machines, wastewater disposal system, various laboratory testing machines and various units of over 900 types of miscellaneous production machineries and equipment at unit price ranging from approximately RMB5,000 to RMB3.2 million. Installation costs and other expenses mainly relate to the setting up of the aforementioned production lines and machinery to be placed in the new production workshop and putting them into working condition.

Further details of the upgrade plan

As of the Latest Practicable Date, we were in the construction phase and undergoing the procurement and installation of machinery. Upon the completion of the construction project, we anticipate an increase in our production capacity up to 30 tons of gold jewellery and K-gold products per year, as well as substantially increasing our production capacity for spring clasps. In addition, leveraging our R&D on the mass production of mid-to-high end 18K-gold spring clasps for jewellery products, we intend to upgrade and enhance our production lines on high-precision jewellery parts and components. Such upgrade also requires construction costs and equipment purchase costs.

Accordingly, we believe this can enhance our production capabilities to support increased sales orders and ultimately, boost our market share in the gold jewellery industry and brand image.

We intend to follow several key steps in upgrading our production facilities, namely (i) engineering and construction preparation, (ii) equipment sourcing, (iii) equipment installation, (iv) staff training, (v) equipment testing, and (vi) pilot operation.

We have carried out a feasibility study on the expansion of the production site. Based on the study, our Directors considered that our Group can leverage the experience and management knowhow on product development to capture the expected increase in demand for gold jewellery in the PRC, and the growing business opportunities in our untapped market. Also, the expansion plan is intended to be completed by the end of 2025, which will be a gradual process.

Reasons for Production Expansion

We develop our production expansion plans based on, among other things: (i) estimated supply of and demand for relevant products; (ii) prevailing and anticipated prices for relevant products; (iii) utilization of existing manufacturing facilities and feasibility for expanding existing facilities; (iv) estimated cost of development; and (v) availability and cost of capital resources. Our production expansion plan is primarily based on our understandings of business plans, product planning, potential demands for existing and new products and expected customers' needs in the coming years.

According to Frost & Sullivan, the drivers of the gold jewellery market in the PRC includes the following:

- **Consumption upgrades in third and fourth-tier cities:** Benefiting from consumption upgrades in the third-tier and fourth-tier cities, consumers' consumption of jewellery products has grown rapidly. The per capita consumption of gold jewellery in third and lower tier cities has seen rapid growth in recent years, from RMB489.7 in 2018 to RMB663.2 in 2023, with a CAGR of 6.3%. The per capita consumption of gold jewellery in third and lower tier cities is forecasted to increase to RMB927.8 in 2028 with a CAGR of 6.9% in light of the expanding franchised stores of gold jewellery brands in lower-tier cities and ongoing consumption upgrading.

- **Investment-driven jewellery collection:** In the post-pandemic period, the prices of precious metals went up. Precious metals, especially gold, are often high-valued, rare, and widely recognized, providing a stable and protective haven against depreciation of monetary assets. Global inflation and geopolitical conflicts have heightened the demand for assets resistant to devaluation and risks. Under prevailing pessimistic expectations towards the future macro environment, gold and other jewellery with investment features bounced back soon after the pandemic. Gold jewellery, with both decorative functions and investment properties, became popular during the post-pandemic period.

- **Increasing demand for personalized jewellery products and newly consumption scenarios:** In addition to collection and investment value, jewellery has gradually become a fashion-oriented ornament that people wear daily. The consumption mindset of Chinese consumers have become increasingly personalized and trendy, and the aspiration to purchase well-designed and unique pieces of jewellery has been rising accordingly. Besides, jewellery consumption scenes are also increasingly diversified. In addition to the traditional marriage scenes, young consumers gradually form the habit of buying jewellery as gifts for themselves. Besides, the special promotions on the Valentine's Day, Spring Festival, and other festivals can stimulate consumers' consumption potential of jewellery products.

With our substantial investment in the upgrading of our production facility, we are well-positioned to meet market opportunities, customer demand and support our rapid business growth. We anticipate that the increased level of automation in production and the increase in our production capacity allow us to maintain a competitive cost structure, enhance operational efficiency, and maintain quality control, thus allowing us to offer our products to customers at competitive prices and at quality standards which satisfy our customers requirements, thereby allowing us to enhance profitability. Also, we believe that we can fulfil the demand for our products from our franchisees and provincial-dealers, such that we can strengthen the relationship with them, and at the same time, penetrate into unsaturated markets for an increase in consumer base.

Although the current production facilities were not over utilized (i.e. exceeding 100% of utilization rate) during the Track Record Period, our Directors consider that the production facilities were sufficiently highly utilized during the Track Record Period. The overall effective utilization rates of our production facilities were approximately 94.4%, 83.1%, 87.1% and 73.0%, for the three years ended December 31, 2023 and the six months ended June 30, 2024, respectively, representing a consistent utilization rate of over 70% since 2021, of which our Directors believe to be close to saturation level. The lower utilization rate for the six months ended June 30, 2024 was mainly attributed to a decrease in sales volume, whereby our sales volume decreased by 10.4% for the six months ended June 30, 2024 when compared to the same period in 2023. Our sales volume decrease was generally in line with (and slightly better than) that of the industry, which observed a period-to-period decrease of 26.7%. In essence, our Directors hold the view that the necessity of upgrading production facility can be illustrated by (i) increasing market demand; and (ii) foreseeable increase in our number of jewellery models. Our Directors consider that with an enlarged production capacity, we would be able to (i) ensure the quality of our products; (ii) enhance the working efficiency of our production process and labour; (iii) ensure on-time production and delivery of our products; (iv) take up urgent and/or bulk orders received from time to time; and (v) attain optimal usage and maintenance of our production machineries and equipment.

According to Frost & Sullivan, the sales revenue of the gold jewellery market in 2022 was RMB409.8 billion, accounting for 57.0% of the whole jewellery market, and is forecasted to reach RMB546.5 billion in 2027, growing at a CAGR of 5.9%. In view of the rising market demand for gold jewellery products and our high utilization of the existing production facilities, we target to enlarge our scale of production, enhance our production process and further implement automated production infrastructures at our production facility in Weifang for the production of gold jewellery and related products, which in turn will further boost our production capacity and efficiency.

During the Track Record Period, despite a slight decrease in revenue for the year ended December 31, 2022, which was attributable to the impact of the pandemic, our overall revenue demonstrated an upward trend. Our revenue decreased from RMB16,871.0 million for the year ended December 31, 2021 to RMB15,724.2 million for the year ended December 31, 2022, and then increased to RMB20,208.6 million for the year ended December 31, 2023. Our revenue increased from RMB9,316.2 million for the six months ended June 30, 2023 to RMB9,979.7 million for the six months ended June 30, 2024. See the section "Financial Information — Review of Historical Results of Operations — Six months ended June 30, 2024 compared to six months ended June 30, 2023" for further details.

We remain open to investing in additional expansion projects as we continue to expand our business and capitalize on market opportunities.

- approximately [REDACTED]%, or HK$[REDACTED] million (RMB[REDACTED] million), will be allocated towards the expansion and enhancement of our sales network. We intend to do so by (i) establishing self-operated stores and (ii) improving the scale and operations of our seven self-operated direct service centers.

  — approximately [REDACTED]%, or RMB[REDACTED] million, will be allocated towards the establishment of 33 new self-operated stores. We estimate a budget of RMB[REDACTED] million for the establishment of 33 new stores. The shortfall of RMB[REDACTED] million will be covered by our internal resources and external financing.

Apart from utilizing our franchise network to strengthen our geographical coverage, we intend to strengthen our sales channels through self-operated stores, which is primarily due to (i) our self-operated stores have demonstrated a higher gross profit margin than our franchise stores during the Track Record Period, and (ii) our self-operated stores help us establish a strong brand identity, which is crucial for our market expansion. To achieve this, we plan to open 33 new self-operated stores by December 2027. This includes 20 new self-operated stores in Shandong to enhance our business scale in the region, five new self-operated stores in Henan to expand into new markets, four new self-operated stores in Beijing and another four new self-operated stores in Tianjin.

The budgets we intend to apply the opening of each self-operated store is estimated to be approximately RMB[REDACTED] million, being:

(1) cost of initial inventories of approximately RMB[REDACTED] million;

(2) decoration cost of the store of approximately RMB[REDACTED] million; and

(3) initial working capital of approximately RMB[REDACTED] million.

The operation of self-operated stores has sound commercial rationale. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded an average revenue of RMB11.5 million, RMB11.5 million, RMB11.8 million and RMB5.6 million per self-operated store, respectively, which the revenue contribution per store were considerable comparing with that we derived per franchise store, the average revenue[(Note)] of which amounted to RMB5.5 million, RMB5.4 million, RMB6.7 million and RMB2.9 million for the said period, respectively. We believe our self-operated stores play a key role in enhancing our brand recognition and increasing our financial condition for two main reasons: (i) Self-operated stores allow us to achieve higher markups and improve profitability by selling directly to end consumers. For the

Note: Calculated by dividing revenue derived from franchise network (i.e. including revenue generated from provincial-dealers) by the total number of franchise stores as of the ending date of the respective year/period.

years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded gross profit margin of 14.7%, 16.9%, 22.4% and 24.4% from self-operated stores, whereas our gross profit margin from franchise network were 2.8%, 4.3%, 4.7% and 6.0%, respectively. (ii) Self-operated stores provide valuable consumer insights and feedback. Through direct consumers interactions, we can gain a deeper understanding of consumers' preferences, trends, and market demands. These insights can inform product development, marketing strategies, and overall business decisions, leading to a more customer-centric approach and improve competitiveness.

We will primarily focus our expansion efforts in opening stores in third and lower tier cities in the PRC where we have relatively strong market position, market recognition and penetration rate, as we can leverage the brand awareness that we have built up in those cities to accelerate our growth. In selecting the location for opening new stores in these areas, we will carefully assess the local demand for our products, distance between our stores based on our market analysis, as well as commercial considerations to minimize unhealthy competition among stores and avoid cannibalization amongst our stores.

At the same time, we will also be looking to opening stores in new first-tier and second-tier cities in the PRC where our store density is relatively low. According to Frost & Sullivan, these markets always have a high demand for gold jewellery products, which presents as a significant opportunity for us to expand our presence to new markets and improve our market coverage across the PRC. Further, the expansion into first-tier and second-tier cities helps to improve our brand exposure in cities where we are relatively less well-known, thus improving our brand awareness and image.

— approximately [REDACTED]%, or RMB[REDACTED] million, will be allocated towards the improvement of the scale and operations of our seven self-operated direct service centers. We estimate a budget of RMB[REDACTED] million to enhance our exhibition halls. The shortfall of RMB[REDACTED] million will be covered by our internal resources and external financing. We also intend to utilize part of the [REDACTED] as initial funds to enhance and enlarge the exhibition halls managed by our self-operated direct service centers. By offering a wider range of gold jewellery options in well-decorated and inviting exhibition halls, along with enhanced services, we believe that we can motivate franchisees to increase their purchases during exhibition events.

The following table sets out our intended [REDACTED] for enhancing of our exhibition halls.

	Description	Total cost
		RMB' million
Budget for decoration and improvement	To enhance our seven self-operated direct service centers and exhibition halls	[REDACTED]
Cost for products to display	To increase display inventories by 30 kg of gold products for our seven exhibition halls	[REDACTED]
Total		[REDACTED]

According to Frost & Sullivan, sales growth of gold jewellery products in the third-tier cities was at a CAGR of 12.4% from 2018 to 2023 and was projected to grow at a CAGR of 9.4% from 2023 to 2028, while the same for fourth and lower tier cities grew at a CAGR of 13.0% from 2018 to 2023 and was projected to grow at a CAGR of 9.2% between 2023 and 2028, respectively. With such in mind, the expansion of additional self-operated stores in third-tier cities and below are essential for our business expansion.

- approximately [REDACTED]%, or HK$[REDACTED] million (RMB[REDACTED] million), will be used for investing in information technology;

  — approximately [REDACTED]%, or RMB[REDACTED] million, will be allocated towards the improvement of our operational efficiency through the acquisition of digital system for integrating operation data (i.e. an Enterprise digital management system) ("**EDM System**"). The EDM System will enable us to enhance the real-time flow of operational data within our organization, facilitating centralized and synchronized data management across our Group. By implementing the system, we will be able to monitor our operations and manage cashflow activities more efficiently, ensuring smooth capital flow and real-time monitoring of our financial status. Furthermore, we intend to acquire data management system to support our sales development for our e-commerce channels. It will enable us to monitor purchase orders, payments, and delivery instructions efficiently, ensuring streamlined and effective management of our e-commerce operations. This will enhance our ability to serve customers, optimize the e-commerce experience, and contribute to the growth of our online sales platform.

We estimate a budget of RMB[REDACTED] million for improving our operational efficiency through the acquisition of a digital system for integrating operation data. The shortfall of RMB[REDACTED] million will be covered by our internal resources and external financing. In relation to the upgrade of information technology system, we expect to allocate RMB[REDACTED] million to procure equipment and install software in various major aspects:

(1) approximately RMB[REDACTED] million for EDM System with the additions of equipment such as cloud platform, server and cloud storage and training services and maintenance provision;

(2) approximately RMB[REDACTED] million for enterprise network construction with the additions of modular room, core switch, firewall and other various software systems serving the purpose of operations, intrusion detection and intrusion prevention;

(3) approximately RMB[REDACTED] million for industrial internet construction with upgrades in the MES system, IOT gateway, wireless network, 3D printing capabilities; and

(4) approximately RMB[REDACTED] million for various other systems including operation training and video conferencing capabilities, collaborative office system, store sales system, security system and POS system.

The following table sets out the major cost components of our upgrade of information technology system.

Items	Description	Unit price	Quantity	Total price
		(RMB'000)		(RMB'000)
(I) Enterprise Digital Management System (企業數字化管理系統)	Data center and data mining system	[REDACTED]	[REDACTED]	[REDACTED]
	Hybrid Cloud Platform	[REDACTED]	[REDACTED]	[REDACTED]
	High-end Server	[REDACTED]	[REDACTED]	[REDACTED]
	Remote Disaster Recovery	[REDACTED]	[REDACTED]	[REDACTED]
	CRM Membership System	[REDACTED]	[REDACTED]	[REDACTED]
	ERP Integrated System for Operation and Finance	[REDACTED]	[REDACTED]	[REDACTED]
	Supply Chain Collaborative Management System	[REDACTED]	[REDACTED]	[REDACTED]
	B2B Network Order System	[REDACTED]	[REDACTED]	[REDACTED]
	Human Resources System	[REDACTED]	[REDACTED]	[REDACTED]

Items	Description	Unit price (RMB'000)	Quantity	Total price (RMB'000)
	Comprehensive Budget Management System	[REDACTED]	[REDACTED]	[REDACTED]
	Fund Management System	[REDACTED]	[REDACTED]	[REDACTED]
	Financial Statement Consolidation System	[REDACTED]	[REDACTED]	[REDACTED]
	Business and Development Technology Center	[REDACTED]	[REDACTED]	[REDACTED]
	Upgrade of EOS Production Management System	[REDACTED]	[REDACTED]	[REDACTED]
	Identity Authentication Management System	[REDACTED]	[REDACTED]	[REDACTED]
	Product life cycle management system (PLM System)	[REDACTED]	[REDACTED]	[REDACTED]
	Portal System	[REDACTED]	[REDACTED]	[REDACTED]
(II) Enterprise Network Construction	Enterprise Modular Room	[REDACTED]	[REDACTED]	[REDACTED]
	Firewall	[REDACTED]	[REDACTED]	[REDACTED]
(III) Industrial Internet Construction	MES Manufacturing Execution System	[REDACTED]	[REDACTED]	[REDACTED]
	IOT Intelligent Gateway	[REDACTED]	[REDACTED]	[REDACTED]
	Intelligent Machine Retrofit	[REDACTED]	[REDACTED]	[REDACTED]
	3D Printing	[REDACTED]	[REDACTED]	[REDACTED]
	Industrial Robot	[REDACTED]	[REDACTED]	[REDACTED]
(IV) Others:				
Upgrade of Store Sales System	Upgrade of Store Sales System	[REDACTED]	[REDACTED]	[REDACTED]
Store security	Store Monitoring and Security System	[REDACTED]	[REDACTED]	[REDACTED]
Additional POS System of Stores	Additional POS System of Stores	[REDACTED]	[REDACTED]	[REDACTED]

We expect to complete the above by December 2025 and we expect to create synergy and operational efficiency via the enhancement of information technology in our operations and monitoring of various tranches of our operation.

— approximately [REDACTED]%, or HK$[REDACTED] million (RMB[REDACTED] million), will be allocated towards the enhancement of our production line and inventory management through the integration of advanced digital elements into our production chain. This includes the implementation of digital technologies to monitor warehouse storage, transportation data, sales, and capital flow in a dynamic and real-time manner, enabling us to operate more efficiently. By embracing digitalization, we aim to improve operational and cost efficiency, establish stringent quality control measures throughout our manufacturing process, and increase overall productivity.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro-rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] stated in this document.

If the [REDACTED] is not exercised, the [REDACTED] we will receive will be approximately: (i) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]); (ii) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the low end of the indicative [REDACTED]); or (iii) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the high end of the indicative [REDACTED]).

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately: (i) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]); (ii) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the low end of the indicative [REDACTED]); or (iii) HK$[REDACTED] million, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the high end of the indicative [REDACTED]). In the event that the [REDACTED] is exercised in full, we intent to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed [REDACTED].

IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to December 31, 2026.

Our actual course of business may vary from our business strategies set out in this document. There is no assurance that our plans will materialize in accordance with our expected timeframe 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 endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

The table below sets forth the expected implementation timetable of our planned use of [REDACTED] (assuming an [REDACTED] at the mid-point of the indicative [REDACTED] and that the [REDACTED] is not exercised):

Implementation timeframe

	By the end of December 31, 2024	**By the end of December 31, 2025**	**By the end of December 31, 2026**
Production Expansion Plan	Construction, purchase and installation of equipment	Construction, purchase and installation of equipment, staff training	Trial run by phase, completion and acceptance
Expansion of sales network			
— (number of additional self-operated stores to be established)	8	12	13
— (number of self-operated direct service centers to be enhanced and upgraded)	3	2	2
Upgrade on information technology	Construction preparation, validation of construction design Equipment installation and testing	Equipment installation and testing, trial run, completion and acceptance	N/A
Research and development	Construction Purchase and installation of equipment	Construction, purchase and installation of equipment, staff training, trial run, completion and acceptance	N/A

The breakdown of [REDACTED] to be allocated is as follows:

	For the year ending December 31,				
	2024	2025	2026	Total	% of total
	RMB' million	RMB' million	RMB' million	RMB' million	
Production Expansion Plan	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Expansion of sales network	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
— Establishment of self-operated stores	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Improving scale and operations of self-operated direct service centers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade on information technology	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
— EDM Systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Production and inventories system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total				**[REDACTED]**	**[REDACTED]**

Operation and financial impact

We are a vertically integrated OBM, our future plans and our [REDACTED] are mainly for our business enhancement. As such, save for the capital expenditure on production expansion plan as detailed in "Risk Factors — Risks relating to our Financial Position — We expect to incur additional capital expenditure and depreciation expenses associated with the expansion of our production facilities", we do not expect any material impact on our operational and financial (including the cost structure, profit margin, cashflow and risk profile).

Expected operational and financial impact on our Group

	Cost structure	Profit margin	Cashflow	Risk profile
Production Expansion Plan . .	Increased depreciation from our enlarged production facilities and new machinery and equipment after they are put into use	More automation and faster production cycle may increase our efficiency, increasing our gross margins.	We may face liquidity pressure as an additional RMB[REDACTED] million of internal resources and external financing apart from [REDACTED] from the [REDACTED] is expected to be utilized to complete the expansion	See "Risk Factors — Risks relating to our Financial Position — We expect to incur additional capital expenditure and depreciation expenses associated with the expansion of our production facilities"
Expansion of sales network	Increased depreciation from our newly opened self-operated stores	It may increase our turnover, driving up profit	No material impact	We have measures in place to avoid cannibalization and channel stuffing. See "Business — Sales and Distribution Channels — Management of franchisees — Measures to avoid channel stuffing and cannibalization" We do not see material risk on the expansion
Upgrade on information technology	Maintenance cost of computer systems may increase	No material impact	No material impact	See "Risk Factor — Risks relating to our Business and Industry — Our business relies on the proper operation of our IT systems, any malfunction of which could materially and adversely affect our business, financial conditions and results of operations"
Research and development	Increased R&D expenses	Based on the intelligence from our CRM system, our R&D may develop new products and be able to mass produce them at competitive cost. It can improve our product mix and possibly improve our profit margin	No material impact	Our R&D may not be able to achieve the intended results. See "Risk Factor — Risks relating to our Business and Industry — We may not succeed in implementing our business strategies and future expansion plan"

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-[85], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. **德勤**

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MOKINGRAN JEWELLERY GROUP CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Mokingran Jewellery Group Co., Ltd. (夢金園黃金珠寶集團股份有限公司, the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[3] to I-[●], which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, 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 of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[3] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] 2024 (the "**Document**") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 of the Company, 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 accountants' report, a true and fair view of the Group's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, of the Company's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

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 accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,			For the six months ended June 30,	
		2021	2022	2023	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	*6*	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744
Cost of sales		(16,334,559)	(14,964,967)	(19,131,139)	(8,788,177)	(9,362,238)
Gross profit		536,441	759,248	1,077,460	528,036	617,506
Other income	*7*	27,430	28,401	27,773	7,502	10,648
Distribution and selling expenses		(176,794)	(194,473)	(257,328)	(128,337)	(118,939)
Research and development expenses		(10,723)	(13,533)	(17,470)	(7,442)	(11,258)
Administrative expenses		(75,947)	(68,275)	(79,770)	(33,521)	(40,471)
Other expenses	*8*	(17,014)	(11,465)	(8,499)	(4,997)	(2,098)
Other gains and losses, net	*9*	89,839	(208,961)	(370,014)	(195,592)	(345,725)
Finance costs	*10*	(64,161)	(56,868)	(63,134)	(31,142)	(35,432)
(Impairment losses)/reversal of impairment losses under expected credit loss model, net	*11*	(13,197)	10,087	(1,076)	(531)	(238)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before tax		295,874	244,161	305,113	133,976	66,861
Income tax expense	*12*	(71,376)	(63,405)	(71,641)	(27,989)	(14,609)
Profit and total comprehensive income for the year/period	*13*	224,498	180,756	233,472	105,987	52,252
Profit/(loss) and total comprehensive income/(expense) for the year/period attributable to						
Owners of the Company		220,618	180,825	230,375	104,167	47,433
Non-controlling interests		3,880	(69)	3,097	1,820	4,819
		224,498	180,756	233,472	105,987	52,252
Earnings per share						
Basic and diluted (RMB)	*16*	0.98	0.80	1.01	0.45	0.21

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
		2021	2022	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	*18*	294,724	364,125	400,001	391,700
Right-of-use assets	*19*	63,081	55,181	52,837	59,234
Investment properties	*20*	89,096	84,892	80,695	78,597
Intangible assets	*21*	7,905	7,573	7,589	6,762
Deferred tax assets	*22*	26,483	24,808	34,069	36,972
Prepayments, deposits and other receivables	*25*	58,929	47,003	41,502	36,744
Other non-current assets		335	129	100	92
		540,553	583,711	616,793	610,101
Current Assets					
Inventories	*23*	2,048,989	1,688,925	2,169,633	2,016,500
Trade receivables	*24*	97,993	130,922	150,513	171,206
Prepayments, deposits and other receivables	*25*	278,742	261,921	399,406	404,722
Financial assets at fair value through profit or loss ("**FVTPL**")	*26*	6,011	—	—	—
Pledged/restricted deposits	*27*	569,476	369,555	528,795	444,102
Cash and cash equivalents	*27*	153,518	225,359	155,866	364,034
		3,154,729	2,676,682	3,404,213	3,400,564
Current Liabilities					
Trade and bills payables	*28*	45,560	64,953	511,787	302,191
Other payables and accruals	*29*	117,258	122,987	139,142	182,303
Lease liabilities	*30*	12,028	9,600	7,711	11,276
Borrowings	*31*	1,336,920	829,627	790,041	1,070,379
Contract liabilities	*32*	27,215	39,044	42,173	72,887
Tax liabilities		1,849	12,296	24,963	13,390
Gold loans	*33*	486,998	394,143	502,508	413,627
Deferred income		132	132	41	34
Provision		210	—	—	—
Refund liabilities	*34*	50,995	41,448	32,943	23,615
		2,079,165	1,514,230	2,051,309	2,089,702
Net Current Assets		1,075,564	1,162,452	1,352,904	1,310,862
Total Assets less Current Liabilities		1,616,117	1,746,163	1,969,697	1,920,963

		As at December 31,			As at June 30,
		2021	2022	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Liabilities					
Deferred tax liabilities	*22*	28	26	15	50
Lease liabilities	*30*	16,176	8,623	8,281	11,724
Refund liabilities	*34*	59,751	47,928	38,384	25,563
Deferred income		285	153	112	96
		76,240	56,730	46,792	37,433
Net Assets		1,539,877	1,689,433	1,922,905	1,883,530
Capital and Reserves					
Share capital	*35*	224,900	229,067	229,067	229,067
Reserves		1,307,163	1,454,914	1,685,289	1,641,095
Equity attributable to owners of the Company		1,532,063	1,683,981	1,914,356	1,870,162
Non-controlling interests		7,814	5,452	8,549	13,368
Total Equity		1,539,877	1,689,433	1,922,905	1,883,530

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
		2021	2022	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	*18*	29,731	26,997	24,510	23,278
Right-of-use assets	*19*	2,877	2,776	2,674	2,623
Investment properties	*20*	84,775	80,980	77,193	75,300
Intangible assets	*21*	4,088	3,527	4,062	3,617
Investments in subsidiaries	*45B*	1,730,510	1,733,125	1,725,125	1,726,125
Deferred tax assets	*22*	150	94	5,456	15,566
Prepayments, deposits and other receivables	*25*	2,752	3,390	3,175	3,806
		1,854,883	1,850,889	1,842,195	1,850,315
Current Assets					
Inventories	*23*	205,741	123,854	241,524	239,121
Trade receivables		—	514	29	642
Amounts due from subsidiaries	*44*	66,870	22,362	17,170	154,395
Prepayments, deposits and other receivables	*25*	84,238	127,276	225,866	164,264
Pledged/restricted deposits	*27*	216,655	55,700	132,453	119,162
Cash and cash equivalents	*27*	33,953	103,496	25,422	96,113
		607,457	433,202	642,464	773,697
Current Liabilities					
Trade payables	*28*	4,540	293	1,062	645
Amounts due to subsidiaries	*44*	962,313	811,599	680,098	935,181
Other payables and accruals	*29*	2,796	1,858	3,889	6,871
Borrowings	*31*	278,966	230,284	430,554	429,997
Contract liabilities		—	—	—	4,196
		1,248,615	1,044,034	1,115,603	1,376,890
Net Current Liabilities		(641,158)	(610,832)	(473,139)	(603,193)
Total Assets less Current Liabilities		1,213,725	1,240,057	1,369,056	1,247,122
Net Assets		1,213,725	1,240,057	1,369,056	1,247,122

		As at December 31,			As at June 30,
		2021	2022	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Capital and Reserves					
Share capital	*35*	224,900	229,067	229,067	229,067
Reserves	*46*	988,825	1,010,990	1,139,989	1,018,055
Total Equity		1,213,725	1,240,057	1,369,056	1,247,122

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Other reserve**	**Share-based payments reserve**	**Statutory reserve**	**Retained profits**	**Subtotal**	**Non-controlling interests**	**Total**
	RMB'000	**RMB'000**	**RMB'000** *(Note i)*	**RMB'000**	**RMB'000** *(Note ii)*	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At January 1, 2021	224,900	465,249	(17,965)	68,846	80,278	487,869	1,309,177	5,037	1,314,214
Profit and total comprehensive income for the year	—	—	—	—	—	220,618	220,618	3,880	224,498
Recognition of equity-settled share-based payments *(Note 36)*	—	—	—	2,268	—	—	2,268	—	2,268
Appropriation of statutory reserve	—	—	—	—	58,233	(58,233)	—	—	—
Dividend paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	(1,103)	(1,103)
	—	—	—	2,268	58,233	(58,233)	2,268	(1,103)	1,165
At December 31, 2021	224,900	465,249	(17,965)	71,114	138,511	650,254	1,532,063	7,814	1,539,877
Profit/(loss) and total comprehensive income/ (expense) for the year	—	—	—	—	—	180,825	180,825	(69)	180,756
Issue of shares *(Note 35)*	4,167	45,833	—	—	—	—	50,000	—	50,000
Recognition of equity-settled share-based payments *(Note 36)*	—	—	—	130	—	—	130	—	130
Acquisition of additional interest in a subsidiary	—	—	(322)	—	—	—	(322)	(2,293)	(2,615)
Appropriation of statutory reserve	—	—	—	—	21,509	(21,509)	—	—	—
Dividend declared *(Note 17)*	—	—	—	—	—	(78,715)	(78,715)	—	(78,715)
	4,167	45,833	(322)	130	21,509	(100,224)	(28,907)	(2,293)	(31,200)
At December 31, 2022	229,067	511,082	(18,287)	71,244	160,020	730,855	1,683,981	5,452	1,689,433
Profit and total comprehensive income for the year	—	—	—	—	—	230,375	230,375	3,097	233,472
Appropriation to statutory reserve	—	—	—	—	40,124	(40,124)	—	—	—
At December 31, 2023	229,067	511,082	(18,287)	71,244	200,144	921,106	1,914,356	8,549	1,922,905
Profit and total comprehensive income for the period	—	—	—	—	—	47,433	47,433	4,819	52,252
Dividend declared *(Note 17)*	—	—	—	—	—	(91,627)	(91,627)	—	(91,627)
At June 30, 2024	229,067	511,082	(18,287)	71,244	200,144	876,912	1,870,162	13,368	1,883,530
At January 1, 2023	229,067	511,082	(18,287)	71,244	160,020	730,855	1,683,981	5,452	1,689,433
Profit and total comprehensive income for the period	—	—	—	—	—	104,167	104,167	1,820	105,987
At June 30, 2023 (unaudited)	229,067	511,082	(18,287)	71,244	160,020	835,022	1,788,148	7,272	1,795,420

Notes:

(i) Other reserve mainly represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid when the Group acquired partial interests in existing subsidiaries.

(ii) According to the relevant laws of the People's Republic of China (the "**PRC**"), the Group's subsidiaries established in the PRC have to transfer a portion of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities					
Profit before tax	295,874	244,161	305,113	133,976	66,861
Adjustments for:					
Interest income	(5,970)	(8,158)	(5,492)	(3,119)	(2,261)
Finance costs	64,161	56,868	63,134	31,142	35,432
Net unrealised loss/(gain) on gold loans	973	8,913	19,735	(5,632)	(20,440)
Fair value changes on financial assets at FVTPL	(803)	(140)	(80)	(54)	(5)
Depreciation of property, plant and equipment	27,813	27,840	37,507	16,676	22,097
Depreciation of right-of-use assets	11,008	11,389	9,611	4,474	5,356
Depreciation of investment properties	3,724	4,204	4,197	2,099	2,098
Amortisation of intangible assets	1,732	1,514	1,692	829	915
(Gain)/loss on disposal of property, plant and equipment, intangible assets and termination of leases	(58)	(1,555)	55	(218)	20
Net foreign exchange (gain)/loss	(12)	174	28	30	39
Net impairment losses/(reversal of impairment losses) under expected credit loss model	13,197	(10,087)	1,076	531	238
Release of government grants	(132)	(132)	(132)	(66)	(23)
Recognition of equity-settled share-based payments	2,268	130	—	—	—
Covid-19-related rent concessions	—	(66)	—	—	—
Operating cash flows before movements in working capital	413,775	335,055	436,444	180,668	110,327
(Increase)/decrease in inventories	(310,623)	258,296	(392,078)	(428,498)	84,691
(Increase)/decrease in pledged/restricted deposits	(28,078)	389	(65,868)	(63,751)	(10,269)
(Increase)/decrease in trade receivables	(21,955)	(19,050)	(21,937)	9,449	(20,964)
Decrease/(increase) in prepayments, deposits and other receivables	10,251	17,219	(91,653)	(92,170)	9,289
Increase/(decrease) in refund liabilities	2,438	(21,370)	(18,049)	574	(22,149)
Increase/(decrease) in provision	20	(210)	—	—	—
Increase/(decrease) in trade and bills payables	32,616	7,987	471,665	268,638	(196,760)
(Decrease)/increase in other payables and accruals	(8,181)	(17,958)	16,137	5,158	40,760
Increase in contract liabilities	20,137	11,829	3,129	72,710	30,714
Cash generated from/(used in) operations	110,400	572,187	337,790	(47,222)	25,639
Income taxes paid	(97,903)	(32,568)	(92,332)	(9,362)	(30,379)
Interest paid for gold loans	(19,948)	(18,526)	(17,272)	(7,130)	(9,646)
Interest received	1,516	1,577	1,490	689	701
Net cash (used in)/from operating activities	(5,935)	522,670	229,676	(63,025)	(13,685)

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Investing activities					
Purchase of property, plant and equipment	(69,471)	(73,717)	(99,651)	(71,447)	(24,814)
Proceeds from disposal of property, plant and equipment	153	14	301	294	2
Purchases of intangible assets	(945)	(1,820)	(1,492)	(905)	(6,687)
Payment for leasehold lands	(3,225)	—	—	—	—
Proceeds from disposal of financial products and structured deposits	1,074,048	113,221	30,080	16,054	6,005
Purchase of financial products and structured deposits	(997,386)	(107,070)	(30,000)	(16,000)	(6,000)
Withdrawal of pledged/restricted deposits	485,068	580,500	671,000	290,000	265,000
Interest received from pledged/restricted deposits	3,587	5,613	4,630	3,168	1,522
Placement of pledged/restricted deposits	(476,050)	(380,000)	(765,000)	(490,000)	(170,000)
Net cash from/(used in) investing activities	15,779	136,741	(190,132)	(268,836)	65,028
Financing activities					
Proceeds from borrowings	1,525,500	1,136,000	1,424,730	1,083,930	904,300
Repayment of borrowings	(1,384,950)	(1,642,500)	(1,465,800)	(783,050)	(623,723)
Interest paid	(43,485)	(39,135)	(44,378)	(23,188)	(26,025)
Proceeds from issue of shares	—	50,000	—	—	—
Payments for [REDACTED] issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends paid to shareholders	—	(78,715)	—	—	(91,627)
Dividends paid to non-controlling shareholders of a subsidiary	(1,103)	—	—	—	—
Repayments of lease liabilities	(9,436)	(10,655)	(8,086)	(4,126)	(4,053)
Payment for acquisition of additional interest in a subsidiary	—	(2,615)	—	—	—
Net cash from/(used in) financing activities	86,526	(587,620)	(108,931)	273,566	156,733
Net increase/(decrease) in cash and cash equivalents	96,370	71,791	(69,387)	(58,295)	208,076
Cash and cash equivalents at beginning of the year/period	57,151	153,518	225,359	225,359	155,866
Effect of foreign exchange rate changes	(3)	50	(106)	(47)	92
Cash and cash equivalents at end of the year/period	153,518	225,359	155,866	167,017	364,034

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was established as a limited liability company in the PRC on September 8, 2000 and converted into a joint-stock company with limited liability under the Company Law of the PRC on June 29, 2018. The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document.

The controlling shareholders of the Company are Mr. Wang Zhongshan, Ms. Zhang Xiuqin and their son, namely Mr. Wang Guoxin and their daughter, namely Ms. Wang Na, through their direct or indirect interests held in the Company.

The Company and the Group are primarily engaged in the design, production, wholesale and retail of jewellery in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The statutory financial statements of the Company for the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Beijing Xintuo Zixin Certified Public Accountants Co., Ltd* (北京信拓孜信會計師事務所有限公司), Changle Zhengfang Certified Public Accountants Co., Ltd* (昌樂正方會計師事務所有限責任公司) and Shandong Shiji Yuanfei Certified Public Accountants* (山東世紀鳶飛會計師事務所), respectively.

* *English name is for identification purpose only.*

3. ADOPTION OF AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on January 1, 2024, throughout the Track Record Period.

New and Amendments to HKFRSs in issue but not yet effective

At the date of this report, the following amendments to HKFRSs have been issued which are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after January 1, 2025
3 Effective for annual periods beginning on or after January 1, 2027

The application of HKFRS 18 is not expected to have significant impact on the financial positions or performance of the Group but may affect the presentations and disclosures of the Group's consolidated financial statements. The Group is in the process of making a detailed assessment of the impact of HKFRS18. Except for the HKFRS 18, The directors of the Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less accumulated impairment losses, if any.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Non-cash consideration

The Group receives used gold products from franchisees, provincial-dealers and end customers to be used in manufacturing new gold products. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the used gold products.

The Group estimates the fair value of the non-cash consideration by reference to the real-time trading price of the Shanghai Gold Exchange on the relevant trading day.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of 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.

The Group assesses whether a contract is or contains a lease, at inception of a contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain properties, electronic equipment and transportation equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 *Financial Instruments* 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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating a lease if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group as a seller-lessee

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group. For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are 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. Such grants are presented under "other income".

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Retirement benefits costs

Full-time employees of the Group in the PRC participate in a government mandated defined contribution plan. Chinese labor regulations require that the Group makes contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group's contributions to the defined contribution plan are expensed as incurred and not reduced by being forfeited by those employees who leave the plan prior to vesting fully in the contributions.

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because 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 each reporting period.

Deferred tax is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and 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. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable 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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that 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 statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related asset is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost of the relevant property and the related accumulated depreciation and impairment loss (if any) (including the relevant leasehold land classified as right-of-use assets) are transferred to investment property at the date of transfer.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure incurred on development projects are capitalised as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditure that does not meet those criteria is expensed as incurred. There were no development expenses meeting these criteria and capitalised as intangible assets as of December 31, 2021, 2022 and 2023 and June 30, 2024.

Impairment on property, plant and equipment, investment properties, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment properties, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income or designated as at fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, pledged/restricted deposits and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for those relating to customers with significant doubt on collection of receivables and collectively using a provision matrix with appropriate groupings with shared credit characteristics for the others.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- 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;
- 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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower 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 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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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).

(iii) Credit-impaired financial assets

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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration debtors' aging and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and bills payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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 is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

Au (T+D) contracts

The Group has a practice of settling Au (T+D) contracts net in cash or another financial instrument, and hence accounted for as derivatives. Au (T+D) contracts are initially recognised at fair value at the date when Au (T+D) contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Gold loans

Gold loans representing the obligation to deliver gold are classified as liabilities at FVTPL at initial recognition. The net gain or loss recognised in profit or loss excludes any interest paid on gold loans.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue recognition for sales settled in used gold products

The Group receives used gold products from franchisees, provincial-dealers and end customers to be used in manufacturing new gold products. There is no obligation or commitment for the Group to accept the used gold products. Except for the form of consideration, there's no difference between this arrangement and an arrangement in which customers make a cash payment. The directors of the Company apply judgement to assess whether the Group has obtained control of customer-provided materials or not. Based on due and careful analysis of all relevant facts and circumstances, it is concluded that the Group has obtained control of the used gold products. As a result, the fair value of the non-cash consideration is included in the transaction price. The Group estimates the fair value of the non-cash consideration by reference to the real-time trading price of the Shanghai Gold Exchange on the relevant trading day.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

Trade receivables relating to customers with significant doubt on collection of receivables are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 41.

Net realisable value of inventories

The Group's inventories are measured at the lower of cost and net realisable value. The net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and costs necessary to make the sale. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature. Changes in these estimates will affect the carrying value of inventories and profit in subsequent years. The Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories is detailed in Note 23.

Sales return

The Group makes a reasonable estimate of the return rate of diamond inlaying jewellery sold. The Group has developed a statistical model for forecasting sales returns. The model used the historical return data to come up with expected return percentages. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group updates its assessment of expected returns biannually and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. The amount recognised as refund liabilities is disclosed in Note 34.

Deferred tax assets

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6. REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the design, production, wholesale and retail of jewellery in the PRC.

The executive directors of the Company, being the chief operating decision makers, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

The Group's non-current assets are all located in Mainland China of the PRC and the Group's revenue are predominantly derived from Mainland China of the PRC. During the Track Record Period, there was no revenue derived from transactions with a single external customer or a group of entities known to be under common control with that customer amounted to 10% or more of the Group's revenue.

The Group's revenue is generated from the sales of gold jewellery and other gold products, K gold jewellery, diamond inlaying jewellery and other products and provision of other services. Disaggregation of revenue from contracts with customers is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Type of goods or services					
Sale of goods:					
— Gold jewellery and other gold products	16,457,308	15,392,835	19,877,366	9,137,879	9,834,885
— K gold jewellery, diamond inlaying jewellery and other products	296,605	226,187	225,513	127,648	99,925
Other services	117,087	105,193	105,720	50,686	44,934
Total	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744
Geographical markets					
Mainland China	16,870,796	15,718,606	20,191,104	9,314,263	9,942,215
Others	204	5,609	17,495	1,950	37,529
Total	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744
Timing of revenue recognition					
A point in time	16,807,389	15,663,827	20,149,774	9,288,643	9,953,053
Over time	63,611	60,388	58,825	27,570	26,691
Total	16,871,000	15,724,215	20,208,599	9,316,213	9,979,744

For the sales of gold jewellery and other gold products, K gold jewellery, diamond inlaying jewellery and other products, revenue is recognised when customers obtain control of the goods, being when the goods have been accepted by customers or delivered to the carrier designated by the customers. The payment is usually due immediately for retail customers or in 3 to 90 days' credit period for the franchisees and provincial-dealers.

Under the Group's standard contract terms, except for closures of stores, customers (franchisees and provincial-dealers) have no right to return any goods after its acceptance of the products but have a right to exchange unsold diamond inlaying jewellery within 5 years. The Group uses its accumulated historical experience to estimate the percentage of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. The Group's right to recover the product when customers exercise their rights is recognised as a right to returned goods and a corresponding adjustment to cost of sales.

Other services include royalty and service, brand usage, customised processing service and testing service. Royalty and service income and brand usage income in respect of the use of the Group's trademarks are recognised over time in accordance with the relevant agreements. Customised processing service income and testing service income are recognised when the services are rendered.

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

7. OTHER INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Interest income from bank and other deposits	5,970	8,158	5,492	3,119	2,261
Other income from franchisees and provincial-dealers	2,343	4,079	3,563	1,665	1,533
Rental income	3,604	3,200	3,222	1,560	1,741
Government grants *(note)*	15,416	12,648	15,230	895	2,844
Additional Deduction for value-added tax ("**VAT**")	—	—	—	—	2,165
Others	97	316	266	263	104
	27,430	28,401	27,773	7,502	10,648

Note: For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, income of approximately RMB15,284,000, RMB12,516,000, RMB15,098,000, RMB829,000 (unaudited) and RMB2,821,000 respectively represents the subsidies from the relevant government authorities for the purpose of motivating the business development of the Group. The subsidies received are in substance a kind of immediate financial support to the Group with no future related costs and are recognised as income when the subsidies are received. There were no unfulfilled conditions for all the government grants in the years in which they were recognised.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, income of approximately RMB132,000, RMB132,000, RMB132,000, RMB66,000 (unaudited) and RMB23,000 respectively represents the grants from the relevant government authorities for funding the purchase of certain non-current assets. The government grants received are recognised in profit or loss over the useful lives of the relevant non-current assets.

8. OTHER EXPENSES

	For the year ended December 31,			For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Expenses related to previous A-share listing attempt	13,290	7,261	4,302	2,898	—
Direct operating expenses incurred for investment properties	3,724	4,204	4,197	2,099	2,098
	17,014	11,465	8,499	4,997	2,098

9. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gain/(loss) on disposal of property, plant and equipment, intangible assets and termination of leases, net	58	1,555	(55)	218	(20)
Net foreign exchange gain/(loss)	9	(124)	(134)	(77)	53
Net realised gain/(loss) on Au (T+D) contracts *(note)*	76,001	(170,942)	(299,391)	(158,000)	(298,527)
Net realised gain/(loss) on gold loans	13,552	(29,247)	(50,358)	(42,919)	(67,662)
Net unrealised (loss)/gain on gold loans	(973)	(8,913)	(19,735)	5,632	20,440
Fair value changes on financial assets at FVTPL	803	140	80	54	5
Charitable contribution	(443)	(2,382)	(1,146)	(500)	(613)
Others	832	952	725	—	599
Total	89,839	(208,961)	(370,014)	(195,592)	(345,725)

Note: The Group uses Au (T+D) contracts which are purchased on Shanghai Gold Exchange as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with gold products. The Au (T+D) contracts are settled on a daily basis.

The Group does not formally designate or document the hedging transactions with respect to the Au (T+D) contracts. Therefore, those transactions are not designated for hedge accounting.

10. FINANCE COSTS

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on borrowings	23,921	27,891	33,703	15,059	22,890
Interest on gold loans	19,948	18,526	17,272	7,130	9,646
Interest on bills discounted with recourse	18,366	8,931	11,224	8,483	2,335
Interest on lease liabilities	1,926	1,520	935	470	561
	64,161	56,868	63,134	31,142	35,432

11. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Impairment losses)/reversal of impairment losses, net recognised on:					
— Trade receivables	(12,402)	11,116	(675)	(666)	424
— Other receivables	(795)	(1,029)	(401)	135	(662)
Total	(13,197)	10,087	(1,076)	(531)	(238)

12. INCOME TAX EXPENSE

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current enterprise income Tax ("**EIT**"):	71,722	61,732	80,913	34,646	16,754
Under provision in prior years	—	—	—	—	723
Deferred tax	(346)	1,673	(9,272)	(6,657)	(2,868)
	71,376	63,405	71,641	27,989	14,609

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

Certain subsidiaries are qualified as small low-profit enterprises by the relevant tax authorities. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the Track Record Period.

Shandong Yifu Gold Jewellery Limited ("**Shandong Yifu**"), is entitled to a preferential income tax rate of 15% for the six months ended June 30, 2024, as Shandong Yifu was qualified as a High-New Technology Enterprise (the "**HNTE**") and the HNTE qualification was approved and valid for 3 years from November 29, 2023 to November 28, 2026.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit before tax	295,874	244,161	305,113	133,976	66,861
Tax at PRC statutory income tax rate of 25%	73,969	61,040	76,278	33,494	16,715
Effect of different tax rates of subsidiaries	(516)	(765)	(2,751)	(894)	(2,781)
Tax effect of expenses not deductible for tax purposes	1,870	1,262	2,638	515	80
Utilisation of tax losses previously not recognised	(1,314)	(226)	(1,520)	(1,540)	(455)
Utilisation of deductible temporary differences previously not recognised	(1,776)	(357)	(2,110)	(1,962)	(147)
Tax effect of tax losses not recognised	1,865	4,277	3,413	504	4,197
Tax effect of deductible temporary differences not recognised	62	1,815	—	—	—
Under provision in respect of prior years	—	—	—	—	723
Additional deductible items under the EIT law *(note i)*	(2,784)	(3,641)	(4,307)	(2,128)	(3,723)
Income tax expense for the year/period	71,376	63,405	71,641	27,989	14,609

Note:

i. Additional deductible items under the EIT law include super deduction for research and development expenses and super deduction for salary of disabled individuals.

13. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period has been arrived at after charging/(crediting):

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation of property, plant and equipment	27,813	27,840	37,507	16,676	22,097
Depreciation of investment properties	3,724	4,204	4,197	2,099	2,098
Depreciation of right-of-use assets	11,008	11,389	9,611	4,474	5,356
Amortisation of intangible assets	1,732	1,514	1,692	829	915
Total depreciation and amortisation	44,277	44,947	53,007	24,078	30,466
Less: capitalised in inventories	(14,287)	(15,497)	(19,643)	(8,953)	(10,546)
	29,990	29,450	33,364	15,125	19,920
Auditor's remuneration	43	23	63	37	40
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Short-term lease expense	1,970	3,053	3,184	1,723	1,037
Covid-19-related rent concessions	—	(66)	—	—	—
Gross rental income from investment properties	(3,604)	(3,200)	(3,222)	(1,560)	(1,741)
Less:					
direct operating expenses incurred for investment properties that generated rental income during the year/period	2,286	2,287	2,234	1,139	1,135
direct operating expenses incurred for investment properties that did not generated rental income during the year/period	1,438	1,917	1,963	960	963
	120	1,004	975	539	357
Directors' and supervisors' remuneration *(Note 14)*	4,753	3,702	4,094	1,875	2,071
Other staff cost:					
Salaries and other allowances	181,170	198,211	231,960	111,170	113,105
Equity-settled share-based payments included in administrative expenses	1,224	118	—	—	—
Retirement benefits scheme contributions	11,615	15,307	17,736	8,359	9,850
Total staff costs	194,009	213,636	249,696	119,529	122,955
Less: capitalised in inventories	(68,553)	(76,775)	(86,337)	(40,024)	(41,408)
	125,456	136,861	163,359	79,505	81,547
Cost of inventories recognised as an expense	16,334,200	14,964,650	19,130,638	8,787,968	9,362,088
Including: (reversal of write-down)/ write-down of inventories	(12,946)	109	(583)	(348)	2,268

14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

The emoluments paid or payable to the directors, chief executive and supervisors of the Company during the Track Record Period are as follows:

	For the year ended December 31, 2021				
	Salaries, allowances and benefits in kind	Performance-based bonuses	Retirement benefits scheme	Equity-settled share-based payments	Total
	RMB'000	RMB'000 *(note i)*	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Zhongshan	483	339	35	492	1,349
Ms. Zhang Xiuqin (Chief executive)	424	387	30	380	1,221
Mr. Wang Zegang	435	194	35	39	703
Ms. Jiang Liying	376	282	—	104	762
Sub-total	1,718	1,202	100	1,015	4,035
Independent non-executive directors:					
Mr. Wang Gongyong	70	—	—	—	70
Mr. Sha Nali	70	—	—	—	70
Mr. Huang Fangliang	70	—	—	—	70
Sub-total	210	—	—	—	210
Supervisors:					
Mr. Zhang Xin	144	—	9	7	160
Mr. Li Hu	152	—	9	—	161
Mr. Wang Yanpeng	156	—	9	22	187
Sub-total	452	—	27	29	508
Total	2,380	1,202	127	1,044	4,753

	For the year ended December 31, 2022				
	Salaries, allowances and benefits in kind	Performance-based bonuses	Retirement benefits scheme	Equity-settled share-based payments	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Zhongshan	485	338	40	—	863
Ms. Zhang Xiuqin (Chief executive)	355	388	—	—	743
Mr. Wang Zegang	436	194	40	—	670
Ms. Jiang Liying	386	290	—	8	684
Sub-total	1,662	1,210	80	8	2,960
Independent non-executive directors:					
Mr. Wang Gongyong	70	—	—	—	70
Mr. Sha Nali	70	—	—	—	70
Mr. Huang Fangliang	70	—	—	—	70
Sub-total	210	—	—	—	210
Supervisors:					
Mr. Zhang Xin	150	1	10	—	161
Mr. Li Hu	169	1	24	—	194
Mr. Wang Yanpeng	159	4	10	4	177
Sub-total	478	6	44	4	532
Total	2,350	1,216	124	12	3,702

	For the year ended December 31, 2023				
	Salaries, allowances and benefits in kind	**Performance-based bonuses**	**Retirement benefits scheme**	**Equity-settled share-based payments**	**Total**
	RMB'000	**RMB'000** *(note i)*	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:					
Mr. Wang Zhongshan	489	338	43	—	870
Ms. Zhang Xiuqin (Chief executive) *(note ii)*	381	374	—	—	755
Mr. Wang Zegang	448	252	45	—	745
Ms. Jiang Liying	393	307	—	—	700
Sub-total	1,711	1,271	88	—	3,070
Independent non-executive directors:					
Mr. Wang Gongyong	70	—	—	—	70
Mr. Sha Nali	70	—	—	—	70
Mr. Huang Fangliang	70	—	—	—	70
Mr. Wong Lit Chor, Alexis *(note iii)*	23	—	—	—	23
Sub-total	233	—	—	—	233
Chief executive:					
Mr. Wang Guoxin *(note iv)*	44	—	7	—	51
Supervisors:					
Mr. Zhang Xin	155	3	24	—	182
Mr. Li Hu	175	60	25	—	260
Mr. Wang Yanpeng	162	126	10	—	298
Sub-total	492	189	59	—	740
Total	2,480	1,460	154	—	4,094

	For the six months ended June 30, 2024				
	Salaries, allowances and benefits in kind	**Performance-based bonuses**	**Retirement benefits scheme**	**Equity-settled share-based payments**	**Total**
	RMB'000	**RMB'000** *(note i)*	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:					
Mr. Wang Zhongshan	227	152	7	—	386
Ms. Zhang Xiuqin	195	177	—	—	372
Mr. Wang Zegang	223	85	24	—	332
Ms. Jiang Liying	198	143	—	—	341
Sub-total	843	557	31	—	1,431
Independent non-executive directors:					
Mr. Wang Gongyong	35	—	—	—	35
Mr. Sha Nali	35	—	—	—	35
Mr. Huang Fangliang	35	—	—	—	35
Mr. Wong Lit Chor, Alexis *(note iii)*	35	—	—	—	35
Sub-total	140	—	—	—	140
Chief executive:					
Mr. Wang Guoxin	113	—	18	—	131
Supervisors:					
Mr. Zhang Xin	77	—	12	—	89
Mr. Li Hu	129	—	12	—	141
Mr. Wang Yanpeng	127	—	12	—	139
Sub-total	333	—	36	—	369
Total	1,429	557	85	—	2,071

	For the six months ended June 30, 2023 (Unaudited)				
	Salaries, allowances and benefits in kind	Performance-based bonuses	Retirement benefits scheme	Equity-settled share-based payments	Total
	RMB'000	RMB'000 *(note i)*	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Zhongshan	251	171	22	—	444
Ms. Zhang Xiuqin (Chief executive) *(note ii)*	185	183	—	—	368
Mr. Wang Zegang	226	97	22	—	345
Ms. Jiang Liying	199	146	—	—	345
Sub-total	861	597	44	—	1,502
Independent non-executive directors:					
Mr. Wang Gongyong	35	—	—	—	35
Mr. Sha Nali	35	—	—	—	35
Mr. Huang Fangliang	35	—	—	—	35
Sub-total	105	—	—	—	105
Supervisors:					
Mr. Zhang Xin	76	—	5	—	81
Mr. Li Hu	88	—	13	—	101
Mr. Wang Yanpeng	81	—	5	—	86
Sub-total	245	—	23	—	268
Total	1,211	597	67	—	1,875

Notes:

i. Performance-based bonuses are determined based on the Group's performance and performance of the relevant individuals within the Group.

ii. Ms. Zhang Xiuqin resigned as chief executive on September 4, 2023.

iii. Mr. Wong Lit Chor Alexis was appointed as an independent non-executive director on September 20, 2023 and resigned as an independent non-executive director on July 31, 2024.

iv. Mr. Wang Guoxin was appointed as chief executive on September 20, 2023.

The emoluments of executive directors and supervisors shown above were mainly for their services in connection with the management of affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as the directors of the Company.

During the Track Record Period, certain directors and supervisors were granted shares in respect of their services to the Group, details are set out in Note 36 to the Historical Financial Information.

There was no arrangement under which a director, supervisor or chief executive of the Company waived or agreed to waive any remuneration during the Track Record Period.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Track Record Period included 2, 1, nil, nil (unaudited) and 1 directors or supervisors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the remaining 3, 4, 5, 5 (unaudited) and 4 individuals who are not a director, supervisor or chief executive of the Company for the Track Record Period were as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other allowances	2,435	3,422	5,301	2,802	1,861
Performance-based bonuses	632	228	363	100	—
Retirement benefits scheme	21	81	117	52	48
Equity-settled share-based payments expense	42	—	—	—	—
	3,130	3,731	5,781	2,954	1,909

The number of the highest paid employees who are not the directors, supervisors or chief executive of the Company whose remuneration fell within the following bands is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	Number of employees	Number of employees	Number of employees	Number of employees (Unaudited)	Number of employees
Hong Kong dollars ("**HKD**") nil to HKD1,000,000	—	1	—	5	4
HKD1,000,001 to HKD1,500,000	3	3	5	—	—
Total	3	4	5	5	4

During the Track Record Period, no emoluments were paid by the Group to any of the directors, supervisors, chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year attributable to the owners of the Company	220,618	180,825	230,375	104,167	47,433

Number of shares

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	'000	'000	'000	'000 (Unaudited)	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	224,900	226,289	229,067	229,067	229,067

No diluted earnings per share for the Track Record Period were presented as there were no potential ordinary shares in issue for the Track Record Period.

17. DIVIDENDS

In May 2022, a final dividend of RMB78,715,000 was declared and paid by the Company to its shareholders.

In March 2024, a final dividend of RMB91,627,000 was declared and paid by the Company to its shareholders in May 2024.

Other than the above, no dividend was paid or declared by the Company during the Track Record Period.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvement	Construction in progress	Machinery	Transportation equipment	Electronic equipment	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	99,730	20,824	87,652	144,896	12,020	22,400	18,293	405,815
Additions	—	1,986	45,183	24,630	2,113	2,088	417	76,417
Transfer from construction in progress	—	—	(2,371)	2,172	—	—	199	—
Transfer to investment properties	(20,947)	—	—	—	—	—	—	(20,947)
Disposals	—	—	—	—	(522)	(132)	(6)	(660)
At December 31, 2021	78,783	22,810	130,464	171,698	13,611	24,356	18,903	460,625
Additions	—	3,073	77,857	14,256	284	1,679	218	97,367
Transfer from construction in progress	—	—	(8,075)	7,470	—	—	605	—
Disposals	—	—	—	(502)	—	(1,579)	(107)	(2,188)
At December 31, 2022	78,783	25,883	200,246	192,922	13,895	24,456	19,619	555,804
Additions	141	5,789	29,831	28,151	462	5,241	4,171	73,786
Transfer from construction in progress	216,701	—	(226,210)	470	—	8,862	177	—
Disposals	—	—	—	(3,578)	(114)	(2,442)	(1,194)	(7,328)
At December 31, 2023	295,625	31,672	3,867	217,965	14,243	36,117	22,773	622,262
Additions	—	1,517	15	12,422	352	2,571	86	16,963
Transfer from construction in progress	—	—	(2,928)	2,600	—	—	328	—
Disposals	—	—	—	(52)	—	(114)	(10)	(176)
Other decrease	(2,207)	—	(940)	—	—	—	—	3,147
At June 30, 2024	293,418	33,189	14	232,935	14,595	38,574	23,177	635,902

	Buildings	Leasehold improvement	Construction in progress	Machinery	Transportation equipment	Electronic equipment	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION								
At January 1, 2021	33,280	13,800	—	56,284	9,613	18,226	11,448	142,651
Charge for the year	4,075	4,501	—	13,503	1,039	2,096	2,599	27,813
Transfer to investment properties	(3,980)	—	—	—	—	—	—	(3,980)
Eliminated on disposals	—	—	—	—	(452)	(125)	(6)	(583)
At December 31, 2021	33,375	18,301	—	69,787	10,200	20,197	14,041	165,901
Charge for the year	3,826	3,399	—	15,325	1,150	2,074	2,066	27,840
Eliminated on disposals	—	—	—	(458)	—	(1,503)	(101)	(2,062)
At December 31, 2022	37,201	21,700	—	84,654	11,350	20,768	16,006	191,679
Charge for the year	11,369	2,674	—	17,062	876	3,686	1,840	37,507
Eliminated on disposals	—	—	—	(3,399)	(108)	(2,284)	(1,134)	(6,925)
At December 31, 2023	48,570	24,374	—	98,317	12,118	22,170	16,712	222,261
Charge for the period	7,142	1,600	—	9,389	422	2,546	998	22,097
Eliminated on disposals	—	—	—	(49)	—	(98)	(9)	(156)
At June 30, 2024	55,712	25,974	—	107,657	12,540	24,618	17,701	244,202
CARRYING AMOUNT								
At December 31, 2021	45,408	4,509	130,464	101,911	3,411	4,159	4,862	294,724
At December 31, 2022	41,582	4,183	200,246	108,268	2,545	3,688	3,613	364,125
At December 31, 2023	247,055	7,298	3,867	119,648	2,125	13,947	6,061	400,001
At June 30, 2024	237,706	7,215	14	125,278	2,055	13,956	5,476	391,700

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual value, are depreciated on a straight-line basis at the following rates per annum:

Buildings	4.75%–9.50%
Leasehold improvement	20.00%–33.33%
Machinery	4.75%–31.67%
Transportation equipment	9.50%–23.75%
Electronic equipment	8.64%–33.53%
Other equipment	8.33%–34.55%

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of property, plant and equipment of RMB41,293,000, RMB37,818,000, RMB205,542,000 and RMB 222,980,000, respectively, are pledged to banks as collaterals for the Group's borrowings and gold loans.

The Company

	Buildings	Leasehold improvement	Machinery	Transportation equipment	Electronic equipment	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2021	42,448	4,184	4,559	4,650	1,508	372	57,721
Additions	—	—	—	1,023	8	—	1,031
Disposals	—	—	—	(421)	(22)	—	(443)
At December 31, 2021	42,448	4,184	4,559	5,252	1,494	372	58,309
Disposals	—	—	(480)	—	(46)	(102)	(628)
At December 31, 2022	42,448	4,184	4,079	5,252	1,448	270	57,681
Additions	—	—	—	—	4	—	4
Disposals	—	—	(609)	—	—	—	(609)
At December 31, 2023	42,448	4,184	3,470	5,252	1,452	270	57,076
Additions	—	—	—	—	1	—	1
Disposals	—	—	(1,236)	—	—	—	(1,236)
At June 30, 2024	42,448	4,184	2,234	5,252	1,453	270	55,841
DEPRECIATION							
At January 1, 2021	12,993	4,072	3,079	4,417	1,431	353	26,345
Charge for the year	2,023	112	436	81	2	—	2,654
Eliminated on disposals	—	—	—	(400)	(21)	—	(421)
At December 31, 2021	15,016	4,184	3,515	4,098	1,412	353	28,578
Charge for the year	2,023	—	435	243	2	—	2,703
Eliminated on disposals	—	—	(456)	—	(44)	(97)	(597)
At December 31, 2022	17,039	4,184	3,494	4,341	1,370	256	30,684
Charge for the year	2,014	—	201	243	3	—	2,461
Eliminated on disposals	—	—	(579)	—	—	—	(579)
At December 31, 2023	19,053	4,184	3,116	4,584	1,373	256	32,566
Charge for the period	1,007	—	40	122	2	—	1,171
Eliminated on disposals	—	—	(1,174)	—	—	—	(1,174)
At June 30, 2024	20,060	4,184	1,982	4,706	1,375	256	32,563
CARRYING AMOUNT							
At December 31, 2021	27,432	—	1,044	1,154	82	19	29,731
At December 31, 2022	25,409	—	585	911	78	14	26,997
At December 31, 2023	23,395	—	354	668	79	14	24,510
At June 30, 2024	22,388	—	252	546	78	14	23,278

The above items of property, plant and equipment, after taking into account the residual value, are depreciated on a straight-line basis at the following rates per annum:

Buildings	4.75%
Leasehold improvement	33.33%
Machinery	9.50%
Transportation equipment	19.00%
Electronic equipment	31.67%
Other equipment	19.00%

As at December 31, 2021, 2022 and 2023 and June 30, 2024, property, plant and equipment of the Company of RMB27,432,000, RMB25,409,000, RMB23,395,000 and RMB22,388,000, respectively, are pledged to banks as collaterals for the Company's borrowings.

19. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1, 2021	80,227	31,216	111,443
Additions	3,672	1,397	5,069
Transfer to investment properties	(42,423)	—	(42,423)
Depreciation charge	(1,069)	(9,939)	(11,008)
Carrying amount at December 31, 2021	40,407	22,674	63,081
Additions	—	10,653	10,653
Lease modifications	—	(77)	(77)
Termination of leases	—	(7,087)	(7,087)
Depreciation charge	(899)	(10,490)	(11,389)
Carrying amount at December 31, 2022	39,508	15,673	55,181
Additions	—	8,666	8,666
Lease modifications	—	(23)	(23)
Termination of leases	—	(1,376)	(1,376)
Depreciation charge	(899)	(8,712)	(9,611)
Carrying amount at December 31, 2023	38,609	14,228	52,837
Additions	—	12,043	12,043
Lease modifications	—	22	22
Termination of leases	—	(312)	(312)
Depreciation charge	(450)	(4,906)	(5,356)
At June 30, 2024	38,159	21,075	59,234

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Expense relating to short-term leases	1,970	3,053	3,184	1,723	1,037
Total cash outflow for leases	13,332	15,228	12,205	6,319	5,651

For the Track Record Period, the Group leases various lands, offices and retail stores for its operations. Lease contracts are entered into for fixed term of 1 month to 50 years. 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.

In addition, the Group owns buildings where its manufacturing facilities and office are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for certain properties, electronic equipment and transportation equipment. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

The Group's lease agreements do not contain any variable lease payments nor any extension or purchase option for lessee.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor.

As at December 31, 2021 and June 30, 2024, the carrying amount of leasehold lands of RMB32,630,000 and 3,476,000 are pledged to banks as security for the Group's borrowings and gold loans. As at December 31, 2023, the carrying amount of leasehold lands of RMB3,513,000 are pledged to banks as security for the Group's borrowings.

Rent concessions

During the Track Record Period, certain lessors of the retail stores provided rent concessions that occurred as a direct consequence of Covid-19 pandemic to the Group through rent reductions.

During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of nil, RMB66,000, nil, nil(unaudited) and nil respectively were recognised as negative variable lease payments by applying the practical expedient.

The Company

	Leasehold lands
	RMB'000
Carrying amount at January 1, 2021	2,979
Depreciation charge	(102)
Carrying amount at December 31, 2021	2,877
Depreciation charge	(101)
Carrying amount at December 31, 2022	2,776
Depreciation charge	(102)
Carrying amount at December 31, 2023	2,674
Depreciation charge	(51)
Carrying amount at June 30, 2024	2,623

20. INVESTMENT PROPERTIES

The Group

The Group leases out office units, a factory and commercial property units under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 10 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At January 1, 2021	49,516
Transfer from property, plant and equipment	20,947
Transfer from right-of-use assets	46,106
At December 31, 2021, 2022 and 2023 and June 30, 2024	116,569
DEPRECIATION	
At January 1, 2021	16,086
Charge for the year	3,724
Transfer from property, plant and equipment	3,980
Transfer from right-of-use assets	3,683
At December 31, 2021	27,473
Charge for the year	4,204
At December 31, 2022	31,677
Charge for the year	4,197
At December 31, 2023	35,874
Charge for the period	2,098
At June 30, 2024	37,972
CARRYING VALUES	
At December 31, 2021	89,096
At December 31, 2022	84,892
At December 31, 2023	80,695
At June 30, 2024	78,597

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Leasehold lands	2.00%–2.66%
Leased properties	4.75%

Details of the Group's investment properties and information about the fair value hierarchy as at the end of each reporting period are as follows:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Carrying Amount	Fair value at Level 3	Carrying Amount	Fair value at Level 3	Carrying Amount	Fair value at Level 3	Carrying Amount	Fair value at Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Office units located in Tianjin	26,822	57,000	24,944	56,000	23,075	54,000	22,140	53,000
Factory located in Tianjin	57,953	59,000	56,036	57,000	54,118	55,000	53,160	55,000
Commercial property units located in Beijing	4,321	11,000	3,912	11,000	3,502	11,000	3,297	11,000
	89,096	127,000	84,892	124,000	80,695	120,000	78,597	119,000

The fair value of the investment properties has been arrived at based on a valuation carried out by Cushman & Wakefield Limited, independent qualified valuers not connected with the Group, based on the income approach and direct comparison approach. The address of Cushman & Wakefield Limited is 27/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong.

The fair value of the investment properties except for leasehold land attached to the factory located in Tianjin was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighborhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The fair value of leasehold land attached to the factory located in Tianjin was determined based on the direct comparison by making reference to comparable sales evidence as available in the relevant market.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amounts of investment properties of RMB40,443,000, RMB22,492,000, RMB34,943,000 and RMB33,555,000, respectively, are pledged to banks as collaterals for the Group's borrowings and gold loans.

The Company

The Company leases out office units and a factory under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 10 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Company is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At January 1, 2021 and December 31, 2021, 2022 and 2023 and June 30, 2024	107,950
DEPRECIATION	
At January 1, 2021	19,380
Charge for the year	3,795
At December 31, 2021	23,175
Charge for the year	3,795
At December 31, 2022	26,970
Charge for the year	3,787
At December 31, 2023	30,757
Charge for the period	1,893
At June 30, 2024	32,650
CARRYING VALUES	
At December 31, 2021	84,775
At December 31, 2022	80,980
At December 31, 2023	77,193
At June 30, 2024	75,300

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Leasehold lands	2.00%–2.66%
Leased properties	4.75%

Details of the Company's investment properties and information about the fair value hierarchy as at the end of each reporting period are as follows:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Carrying Amount	Fair value at Level 3 hierarchy	Carrying Amount	Fair value at Level 3 hierarchy	Carrying Amount	Fair value at Level 3 hierarchy	Carrying Amount	Fair value at Level 3 hierarchy
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Office units located in Tianjin	26,822	57,000	24,944	56,000	23,075	54,000	22,140	53,000
Factory located in Tianjin	57,953	59,000	56,036	57,000	54,118	55,000	53,160	55,000
	84,775	116,000	80,980	113,000	77,193	109,000	75,300	108,000

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amounts of investment properties of the Company of RMB24,279,000, RMB22,492,000, RMB34,943,000 and RMB33,555,000, respectively, are pledged to banks as collaterals for the Company's borrowings.

21. INTANGIBLE ASSETS

The Group

	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000
COST			
At January 1, 2021	14,755	—	14,755
Additions	892	7	899
Disposals	(1,109)	—	(1,109)
At December 31, 2021	14,538	7	14,545
Additions	1,182	—	1,182
At December 31, 2022	15,720	7	15,727
Additions	1,708	—	1,708
At December 31, 2023	17,428	7	17,435
Additions	88	—	88
At June 30, 2024	17,516	7	17,523
AMORTISATION			
At January 1, 2021	5,627	—	5,627
Charge for the year	1,732	—	1,732
Eliminated on disposals	(719)	—	(719)
At December 31, 2021	6,640	—	6,640
Charge for the year	1,513	1	1,514
At December 31, 2022	8,153	1	8,154
Charge for the year	1,691	1	1,692
At December 31, 2023	9,844	2	9,846
Charge for the period	915	—	915
At June 30, 2024	10,759	2	10,761
CARRYING AMOUNT			
At December 31, 2021	7,898	7	7,905
At December 31, 2022	7,567	6	7,573
At December 31, 2023	7,584	5	7,589
At June 30, 2024	6,757	5	6,762

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Software	3.25–10 years
Trademark	6.83 years

The Company

	Software
	RMB'000
COST	
At January 1, 2021	8,799
Additions	156
Disposals	(1,092)
At December 31, 2021	7,863
Additions	287
At December 31, 2022	8,150
Additions	1,495
At December 31, 2023	9,645
Additions	88
At June 30, 2024	9,733
AMORTISATION	
At January 1, 2021	3,321
Charge for the year	1,173
Eliminated on disposals	(719)
At December 31, 2021	3,775
Charge for the year	848
At December 31, 2022	4,623
Charge for the year	960
At December 31, 2023	5,583
Charge for the period	533
At June 30, 2024	6,116
CARRYING AMOUNT	
At December 31, 2021	4,088
At December 31, 2022	3,527
At December 31, 2023	4,062
At June 30, 2024	3,617

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Software . . . . 3.25–10 years

22. DEFERRED TAX ASSETS/LIABILITIES

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purposes:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	26,483	24,808	34,069	36,972
Deferred tax liabilities	(28)	(26)	(15)	(50)
	26,455	24,782	34,054	36,922

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Tax losses	ECL provision	Fair value changes of gold loans	Unrealised profit on inventories	Inventory provision	Refund liabilities and provision	Deferred income	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	—	9,097	2,460	2,971	3,374	7,381	137	9,061	34,481
Credit (charge) to profit or loss	—	3,288	(324)	(672)	(3,236)	630	(33)	(2,010)	(2,357)
At December 31, 2021	—	12,385	2,136	2,299	138	8,011	104	7,051	32,124
(Charge) credit to profit or loss	—	(2,689)	2,228	1,103	27	(1,564)	(33)	(2,495)	(3,423)
At December 31, 2022	—	9,696	4,364	3,402	165	6,447	71	4,556	28,701
Credit (charge) to profit or loss	5,354	(486)	4,934	1,293	(153)	(1,441)	(33)	(558)	8,910
At December 31, 2023	5,354	9,210	9,298	4,695	12	5,006	38	3,998	37,611
Credit (charge) to profit or loss	9,529	45	(5,110)	(772)	561	(1,420)	(5)	1,752	4,580
At June 30, 2024	14,883	9,255	4,188	3,923	573	3,586	33	5,750	42,191

The following are the major deferred tax liabilities recognised and movements thereon during the Track Record Period:

	Right-of-use assets	Fair value changes of gold loans	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	(7,804)	(568)	(8,372)
Credit to profit or loss	2,135	568	2,703
At December 31, 2021	(5,669)	—	(5,669)
Credit to profit or loss	1,750	—	1,750
At December 31, 2022	(3,919)	—	(3,919)
Credit to profit or loss	362	—	362
At December 31, 2023	(3,557)	—	(3,557)
Charge to profit or loss	(1,712)	—	(1,712)
At June 30, 2024	(5,269)	—	(5,269)

Deferred tax assets have not been recognised in respect of the following items:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	13,596	29,799	37,372	52,340
Deductible temporary differences	4,962	10,796	2,356	1,767

No deferred tax asset has been recognised in relation to such deductible temporary difference and tax losses due to the unpredictability of future profit streams.

Unrecognised tax losses with expiry dates are disclosed in the following table.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
2024	439	439	167	—
2025	5,695	5,547	4,956	4,215
2026	7,462	6,705	1,888	1,519
2027	—	17,108	16,708	16,182
2028	—	—	13,653	13,635
2029	—	—	—	16,789
	13,596	29,799	37,372	52,340

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	150	94	5,456	15,566

The following are the major deferred tax assets and liabilities recognised and movements thereon during the Track Record Period:

	Tax losses	ECL provision	Inventory provision	Fair value changes of gold loans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	—	80	16	(568)	(472)
Credit to profit or loss	—	1	53	568	622
At December 31, 2021	—	81	69	—	150
Credit/(charge) to profit or loss	—	13	(69)	—	(56)
At December 31, 2022	—	94	—	—	94
Credit to profit or loss	5,354	8	—	—	5,362
At December 31, 2023	5,354	102	—	—	5,456
Credit to profit or loss	9,529	—	581	—	10,110
At June 30, 2024	14,883	102	581	—	15,566

23. INVENTORIES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	596,811	387,942	533,868	667,678
Work in progress	1,480	2,596	6,343	1,400
Finished goods *(note)*	1,434,117	1,280,587	1,612,052	1,326,328
Goods in transit	3,325	6,164	7,272	9,489
Consignment processing materials	5,489	2,972	525	1,433
Consumables	7,767	8,664	9,573	10,172
	2,048,989	1,688,925	2,169,633	2,016,500

Note: Included in the finished goods are items related to consignment arrangement amounted to RMB2,986,000, RMB1,731,000, RMB854,000 and RMB769,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	24,429	5,629	125,350	18,301
Finished goods	181,287	118,202	116,152	220,797
Consignment processing materials	1	—	—	—
Consumables	24	23	22	23
	205,741	123,854	241,524	239,121

24. TRADE RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	144,806	166,619	186,885	207,154
Less: Allowance for credit losses	(46,813)	(35,697)	(36,372)	(35,948)
Total	97,993	130,922	150,513	171,206

As at January 1, 2021, gross carrying amount of trade receivables from contracts with customers amounted to RMB122,893,000.

The Group primarily allows a credit period around 3 to 90 days, except for certain credit worthy customers, where the credit periods are extended to a longer period. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on dates of delivery or rendering of services at the end of each reporting period.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	86,424	111,332	147,878	163,934
90–180 days	7,171	13,191	2,456	6,582
180 days–1 year	4,398	6,144	179	690
1–2 years	—	255	—	—
Total	97,993	130,922	150,513	171,206

As of December 31, 2021, 2022 and 2023 and June 30, 2024, included in the Group's trade receivable balances are debtors with an aggregate carrying amount of RMB4,816,000, RMB12,193,000, RMB3,010,000 and RMB9,312,000 respectively which are past due as at the reporting date. Out of the past due balances, RMB3,436,000, RMB8,012,000, RMB2,435,000 and RMB2,798,000 has been past due less than 90 days, RMB1,380,000, RMB4,181,000, RMB575,000 and RMB6,514,000 respectively has been past due 90 days or more. Those past due are not considered as in default as there has not been a significant change in credit quality and the amounts are considered recoverable.

Details of impairment assessment of trade receivables during the Track Record Period are set out in Note 41.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Other receivables				
— Deposits	4,392	4,497	5,599	6,604
— Payments on behalf of employee	930	1,152	1,310	1,310
— Others	466	1,823	2,265	4,037
Less: Allowance for credit losses	(1,424)	(1,814)	(2,827)	(3,083)
Total other receivables	4,364	5,658	6,347	8,868
Prepayment to suppliers	3,297	7,314	9,880	8,786
Prepayments for [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid EIT	30,265	11,548	35,634	36,962
Deductible input VAT	116,361	78,947	106,130	84,671
Right to returned goods asset *(note)*	115,533	150,373	218,353	241,869
Deferred expenses related to [REDACTED] attempt	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid advertising expenses	6,532	6,511	4,594	3,044
Prepaid interest on gold loans	1,643	841	1,661	2,329
Others	747	729	779	1,728
Total	278,742	261,921	399,406	404,722
Non-current:				
Other receivables				
— Deposits	5,336	4,455	4,187	4,781
Less: Allowance for credit losses	(1,378)	(1,358)	(634)	(1,040)
Total other receivables	3,958	3,097	3,553	3,741
Prepayment for acquisition of non-current assets	12,650	9,838	10,307	14,936
Right to returned goods asset *(note)*	42,321	34,068	27,642	18,067
Total	58,929	47,003	41,502	36,744

Details of impairment assessment of other receivables during the Track Record Period are set out in Note 41.

Note: The amounts included (i) an asset for the Group's right to recover products from customers for sale with a right of return/exchange, and (ii) gold products under lending arrangement to certain franchisees and provincial-dealers, where they are obliged to return gold products of the same type, quantity and quality to the Group or settle their obligations in cash or used gold products on the basis of the selling price of the lent gold products at maturity.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Other receivables				
— Deposits	500	350	350	350
— Payments on behalf of employee	20	25	28	19
— Others	75	75	75	75
Less: Allowance for credit losses	(183)	(236)	(266)	(266)
Total other receivables	412	214	187	178
Prepayment to suppliers	321	2,405	428	196
Prepayments for [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid EIT	4,232	7,255	31,764	31,764
Deductible input VAT	58,385	65,029	94,251	68,898
Right to returned goods asset	17,104	47,864	83,058	46,159
Deferred costs related to [REDACTED] attempt	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid advertising expenses	3,376	4,509	150	604
Others	408	—	—	—
Total	84,238	127,276	225,866	164,264
Non-current:				
Other receivables				
— Deposits	2,820	2,820	2,820	2,820
Less: Allowance for credit losses	(141)	(141)	(141)	(141)
Total other receivables	2,679	2,679	2,679	2,679
Prepayment for acquisition of non-current assets	73	711	496	1,127
Total	2,752	3,390	3,175	3,806

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial products	6,011	—	—	—

As at December 31, 2021, the financial products were issued by banks in the PRC. The principals and returns of the financial products are not guaranteed. The financial products were classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

27. PLEDGED/RESTRICTED DEPOSITS/CASH AND CASH EQUIVALENTS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
— Cash on hand	241	220	329	225
— Bank balances *(note i)*	133,795	200,148	134,822	291,754
— Balances with online payment platforms	905	461	1,073	10,965
— Surplus deposits with Shanghai Gold Exchange	18,577	24,530	19,642	61,090
	153,518	225,359	155,866	364,034
Pledged/restricted deposits *(note ii)*	569,476	369,555	528,795	444,102

Notes:

i. As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank balances of the Group carried interest at market rates ranging from nil to 1.61%, nil to 1.61%, nil to 1.15% and nil to 1.15% per annum, respectively.

ii. As at December 31, 2021, 2022 and 2023 and June 30, 2024, pledged/restricted deposits mainly include bank deposits pledged to banks to secure banking facilities and security deposits for issuance of bills payable, gold loans and gold trading accounts, etc. The balances carried interest rates ranging from nil to 2.25%, nil to 2.25%, nil to 2.25% and nil to 2.25% per annum, respectively.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of pledged/restricted deposits of the Group of RMB442,706,000, RMB230,356,000, RMB327,250,000 and RMB239,785,000, respectively, are pledged to banks as collaterals for the Group's borrowings, gold loans and bills payable.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
— Cash on hand	3	—	—	70
— Bank balances *(note i)*	20,029	94,144	17,544	58,952
— Surplus deposits with Shanghai Gold Exchange	13,921	9,352	7,878	37,091
	33,953	103,496	25,422	96,113
Pledged/restricted deposits *(note ii)*	216,655	55,700	132,453	119,162

Notes:

i. As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank balances of the Company carried interest at market rates ranging from nil to 1.61%, nil to 1.61%, nil to 1.15% and nil to 1.15% per annum, respectively.

ii. As at December 31, 2021, 2022 and 2023 and June 30, 2024, pledged/restricted deposits include bank deposits pledged to banks to secure banking facilities and security deposits for gold trading accounts. The balances carried interest rates ranging from nil to 2.25%, nil, nil to 2.25% and nil to 2.25% per annum, respectively.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of pledged/restricted deposits of the Company of RMB151,105,000, nil, RMB30,675,000 and RMB30,328,000, respectively, are pledged to banks as collaterals for the Company's borrowings.

28. TRADE AND BILLS PAYABLES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable *(note)*	—	—	470,000	280,000
Trade payables	45,560	64,953	41,787	22,191
	45,560	64,953	511,787	302,191

Note: The bills payable were guaranteed by the controlling shareholders of the Company, Mr. Wang Zhongshan and Ms. Zhang Xiuqin, and certain subsidiaries of the Group. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released before the [REDACTED] of the Company on the Stock Exchange.

An aged analysis of the Group's trade payables presented based on the invoice date as at the end of each reporting period is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	44,353	64,042	40,490	19,098
1–2 years	770	301	914	2,683
2–3 years	63	452	170	101
Over 3 years	374	158	213	309
	45,560	64,953	41,787	22,191

All bills payable issued by the Group are with a maturity period of less than one year.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	4,540	293	1,062	645

An aged analysis of the Company's trade payables, as at the end of each reporting period, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	4,312	205	974	557
1–2 years	140	—	—	—
Over 3 years	88	88	88	88
	4,540	293	1,062	645

29. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables				
— deposits received	78,144	78,703	84,329	97,089
— accrued expenses	2,000	4,392	5,526	2,758
— accrued [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— rent and property fees payable	3	365	—	—
— others	1,062	1,150	1,893	3,610
Total other payables	81,209	84,610	92,277	107,823
Rent received in advance	2,756	3,274	2,693	1,891
Other tax payable	8,205	13,734	16,898	50,590
Salaries, welfare and bonus payable	25,088	21,369	27,274	21,999
	117,258	122,987	139,142	182,303

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables				
— deposits received	541	550	483	453
— accrued expenses	—	—	596	63
— accrued [REDACTED] and issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— others	9	17	9	192
Total other payables	550	567	1,617	5,074
Rent received in advance	1,432	184	604	120
Other tax payable	267	446	709	1,156
Salaries, welfare and bonus payable	547	661	959	521
	2,796	1,858	3,889	6,871

30. LEASE LIABILITIES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	12,028	9,600	7,711	11,276
Within a period of more than one year but not exceeding two years	10,799	4,564	5,692	8,247
Within a period of more than two years but not exceeding five years	5,377	4,059	2,589	3,477
	28,204	18,223	15,992	23,000
Analysed as:				
Amounts due for settlement within one year shown under current liabilities	12,028	9,600	7,711	11,276
Amounts due for settlement after one year shown under non-current liabilities	16,176	8,623	8,281	11,724

The lease liabilities of approximately RMB28,204,000, RMB17,028,000, RMB15,992,000 and RMB23,000,000, are secured by the rental deposits of approximately RMB2,690,000, RMB1,866,000, RMB2,422,000 and RMB2,212,000, respectively as at December 31, 2021, 2022 and 2023 and June 30, 2024.

The incremental borrowing rates applied to lease liabilities range from 5.22% to 5.88% for each of the years ended December 31, 2021, 2022 and 2023 respectively and 4.49% to 5.88% for the six months ended June 30, 2024.

31. BORROWINGS

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank borrowings	646,920	489,627	790,041	1,057,726
Bank borrowings relating to bills discounted with recourse	690,000	340,000	—	—
Other borrowings relating to a sale-and-leaseback transaction	—	—	—	8,480
Other borrowings pledged by trade receivables *(note iii)*	—	—	—	4,173
	1,336,920	829,627	790,041	1,070,379
Guaranteed and secured *(notes i & ii)*	1,168,178	579,356	569,820	588,734
Unguaranteed and secured *(note i)*	48,584	—	29,981	308,869
Guaranteed and unsecured *(note ii)*	120,158	250,271	190,240	172,776
	1,336,920	829,627	790,041	1,070,379

Notes:

i. The secured borrowings were secured by the pledge of certain bank deposits, property, plant and equipment (including properties owned by Mr. Wang Zhongshan, the controlling shareholder of the Company), right-of-use assets, investment properties, inventories, patents and/or trade receivables. The directors of the Company represented to us, the security provided by Mr. Wang Zhongshan will be released upon the [REDACTED] of the Company on the Stock Exchange.

ii. The guaranteed bank borrowings and other borrowings were guaranteed by the controlling shareholders of the Company, Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin (as at December 31, 2021 only), and certain subsidiaries of the Group. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released upon the [REDACTED] of the Company on the Stock Exchange.

iii. As at June 30, 2024, trade receivables amounting to RMB4,173,000 were pledged to obtain the borrowings amounting to RMB4,173,000.

Bank borrowings relating to bills discounted with recourse represented the cash received on bills receivables discounted to various banks with full recourse relates to discounted bills issued among subsidiaries of the Group for intra-group transactions.

The carrying amounts of the above bank borrowings are repayable within one year as at December 31, 2021, 2022 and 2023 and June 30, 2024 based on terms set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Fixed-rate borrowings	1,336,920	829,627	790,041	1,070,379

As at December 31, 2021, 2022 and 2023 and June 30, 2024, borrowings carry interest at 1.78% to 5.83%, 2.08% to 5.83%, 3.60% to 5.51% and 3.25% to 7.92% per annum, respectively.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	278,966	230,284	430,554	429,997
Guaranteed and secured *(notes i & ii)*	180,312	100,178	300,456	300,415
Unguaranteed and secured *(note i)*	48,584	—	29,981	100,132
Guaranteed and unsecured *(note ii)*	50,070	130,106	100,117	29,450
	278,966	230,284	430,554	429,997

Notes:

i. The secured bank borrowings were secured by the pledge of certain bank deposits, property, plant and equipment, and/or investment properties.

ii. The guaranteed bank borrowings were guaranteed by the controlling shareholders of the Company, Mr. Wang Zhongshan and Ms. Zhang Xiuqin, and certain subsidiaries of the Company. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released before the [REDACTED] of the Company on the Stock Exchange.

The carrying amounts of the above bank borrowings are repayable within one year as at December 31, 2021, 2022 and 2023 and June 30, 2024 based on terms set out in the loan agreements.

The exposure of the Company's bank borrowings are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	278,966	230,284	430,554	429,997

As at December 31, 2021, 2022 and 2023 and June 30, 2024, borrowings carry interest at 4.00% to 5.83%, 4.00% to 5.83%, 3.60% to 5.51% and 3.55% to 5.51% per annum, respectively.

32. CONTRACT LIABILITIES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	27,215	39,044	42,173	72,887

As at January 1, 2021, the carrying amounts of contract liabilities were approximately RMB7,078,000.

The contract liabilities were expected to be recognised as revenue in the next 12 months.

The following table shows how much of the revenue recognised related to carried forward contract liabilities during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognised that was included in contract liability balance at the beginning of the year/period — sales of goods	6,687	26,910	39,006	38,958	41,396

33. GOLD LOANS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Gold loans	486,998	394,143	502,508	413,627

The Group borrows gold from bank for 3 months to 12 months and pays a fixed fee to bank for the duration of the contract based on the value of gold at inception and relevant interest rates at inception. At maturity, the Group is obliged to deliver gold of the same type, quantity and quality to bank. The Group does not have an option to settle its obligation in cash. Gold loans representing the obligation to deliver gold are classified as liabilities at FVTPL at initial recognition.

The fair value of gold loans is determined by reference to quoted market bid price of gold traded in active liquid markets and classified as Level 2 of the fair value hierarchy.

The gold loans were secured by the pledge of certain bank deposits, property, plant and equipment, right-of-use assets and/or investment properties and guaranteed by Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin, the controlling shareholders of the Company, and certain subsidiaries of the Group. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin will be released before the [REDACTED] of the Company on the Stock Exchange.

34. REFUND LIABILITIES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Refund liabilities	110,746	89,376	71,327	49,178
Analysed for reporting purposes as:				
Non-current liabilities	59,751	47,928	38,384	25,563
Current liabilities	50,995	41,448	32,943	23,615
	110,746	89,376	71,327	49,178

35. SHARE CAPITAL

	Number of shares	Share capital
	'000	RMB'000
Ordinary shares of RMB1.00 each		
Issued and fully paid:		
At January 1, 2021 and December 31, 2021	224,900	224,900
Issue of ordinary shares *(note)*	4,167	4,167
At December 31, 2022 and 2023 and June 20,2024	229,067	229,067

Note: In August 2022, the Company issued 4,167,000 ordinary shares with preferred rights with a par value of RMB1.00 each to Citic Securities Investment Limited at a cash consideration of RMB50,000,000. In November 2022, a supplemental agreement was entered into among the Company, Citic Securities Investment Limited and the controlling shareholders of the Company, pursuant to which certain preferred rights including liquidation preference and joint and several liability guarantee provided by the Company were removed. Therefore, the shares issued to Citic Securities Investment Limited were reclassified from financial liabilities to equity, resulting in an increase of share capital of RMB4,167,000, and an amount of RMB45,833,000, being the excess of the cash consideration of RMB50,000,000 over the par value of RMB4,167,000 was credited to share premium.

36. EQUITY-SETTLED SHARE-BASED PAYMENTS

Restricted Stock Units Scheme

On March 28, 2016, a restricted stock unit scheme (the "**RSU Scheme**") was approved and adopted by the shareholders of Mokingran Gold Jewellery Group Limited ("**Mokingran Limited**", the former name of the Company prior to its conversion to a joint stock company (the "**Conversion**")).

The restricted stock units ("**RSUs**") were granted as share incentives to qualified employees of Mokingran Limited and its subsidiaries. In March 2016, Tianjin Jinmeng Enterprise Management Partnership (Limited Partnership)* (天津金夢企業管理合夥企業(有限合夥)), Tianjin Jinyuan Enterprise Management Partnership (Limited Partnership)* (天津金園企業管理合夥企業(有限合夥)) and Tianjin Jinlong Enterprise Management Partnership (Limited Partnership)* (天津金隆企業管理合夥企業(有限合夥)) (collectively, the "**RSU platforms**") were established in the PRC, respectively, as employee incentive platforms to hold the ordinary shares of Mokingran Limited for the Group's employees under the RSU Scheme. Following the Conversion, the RSU platforms were converted into shareholders of the Company.

Under the RSU Scheme, the RSUs granted will be vested in separate tranches on the third anniversary, the fourth anniversary and the fifth anniversary of the grant date at the proportion of 60%, 20% and 20%, on condition that the relevant employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder.

* *English name is for identification purpose only.*

The RSUs were granted to certain directors, supervisors and employees in March 2016 and August 2017, respectively. Movements of RSUs granted to the directors, supervisors and employees are as follows:

	Number of RSUs granted	Weighted average fair value per RSU
		(RMB)
Outstanding as at January 1, 2021	9,381,000	5.75
Vested during the year	(8,372,000)	5.65
Forfeited during the year	(52,000)	6.54
At December 31, 2021	957,000	6.54
Vested during the year	(665,000)	6.54
Forfeited during the year	(292,000)	6.54
At December 31, 2022 and 2023 and June 30, 2024	—	—

Details of RSUs held by the directors and supervisors included in the above table are as follows:

	Number of RSUs granted	Weighted average fair value per RSU
		(RMB)
Outstanding as at January 1, 2021	5,682,000	5.57
Vested during the year	(5,622,000)	5.57
At December 31, 2021	60,000	6.54
Vested during the year	(60,000)	6.54
At December 31, 2022 and 2023 and June 30, 2024	—	—

The fair values of each RSU granted in March 2016 and August 2017 are RMB5.54 and RMB6.54 respectively at the respective grant date. The fair value of each RSU is determined by reference to the fair value of the underlying ordinary shares of Mokingran Limited on the date of grant with the assistance of an independent professional valuation firm and discounted cash flow method under the income approach was used.

Share-based expenses of RMB2,268,000, RMB130,000, nil, nil(unaudited) and nil have been recognised in profit or loss for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively in relation to RSUs granted.

37. RETIREMENT BENEFITS SCHEME

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The Company and its PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions.

The retirement benefits cost charged to profit or loss of approximately RMB11,742,000, RMB15,431,000, RMB17,890,000, RMB8,426,000 (unaudited) and RMB9,935,000 for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, represents contributions paid/payable to the plan by the Group at rates specified in the rules of the plan.

During the Track Record Period, the Group had no forfeited contributions under the above retirement benefits scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at December 31, 2021, 2022 and 2023 and June 30, 2024 under such scheme which may be used by the Group to reduce the contribution payable in future years.

38. 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:

	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	1,195,642	36,243	1,231,885
Additions	—	1,397	1,397
Finance costs *(Note 10)*	42,287	1,926	44,213
Financing cash flows	98,991	(11,362)	87,629
At December 31, 2021	1,336,920	28,204	1,365,124
Additions	—	10,653	10,653
Lease modifications	—	(77)	(77)
Termination of leases	—	(8,754)	(8,754)
Finance costs *(Note 10)*	36,822	1,520	38,342
Covid-19-related rent concessions	—	(66)	(66)
Other non-cash movements	—	(1,082)	(1,082)
Financing cash flows	(544,115)	(12,175)	(556,290)
At December 31, 2022	829,627	18,223	847,850
Additions	—	8,666	8,666
Lease modifications	—	(23)	(23)
Termination of leases	—	(1,116)	(1,116)
Finance costs *(Note 10)*	44,927	935	45,862
Other non-cash movements	—	(1,672)	(1,672)
Financing cash flows	(84,513)	(9,021)	(93,534)
At December 31, 2023	790,041	15,992	806,033
Additions	—	12,043	12,043
Lease modifications	—	22	22
Termination of leases	—	(325)	(325)
Finance costs *(Note 10)*	25,225	561	25,786
Other non-cash movements	—	(679)	(679)
Financing cash flows	255,113	(4,614)	250,499
At June 30, 2024	1,070,379	23,000	1,093,379

	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	829,627	18,223	847,850
Lease modifications	—	350	350
Termination of leases	—	(221)	(221)
Finance costs *(Note 10)*	23,542	470	24,012
Other non-cash movements	—	(697)	(697)
Financing cash flows	278,162	(4,596)	273,566
At June 30, 2023 (Unaudited)	1,131,331	13,529	1,144,860

39. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,430	3,416	3,712	1,625
In the second year	2,552	3,072	915	273
In the third year	1,761	—	—	—
	6,743	6,488	4,627	1,898

40. CAPITAL COMMITMENTS

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group had the following capital commitments:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	12,061	8,835	8,252	9,990

41. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets:				
Financial assets at amortised cost	829,309	734,591	845,074	991,951
Financial assets at FVTPL	6,011	—	—	—
Financial liabilities:				
Financial liabilities at amortised cost	1,463,689	979,190	1,394,105	1,480,393
Lease liabilities	28,204	18,223	15,992	23,000

The Company

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets:				
Financial assets at amortised cost	320,569	184,965	177,940	373,169
Financial liabilities:				
Financial liabilities at amortised cost	1,246,369	1,042,743	1,113,331	1,370,897

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, financial assets at FVTPL, other receivables, pledged/restricted deposits, cash and cash equivalents, trade and bills payables, other payables and borrowings. The Company's major financial instruments included trade receivables, amounts due from subsidiaries, other receivables, pledged/restricted deposits, cash and cash equivalents, trade payables, amounts due to subsidiaries, other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk, commodity price risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Foreign currency risk*

Certain transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	Assets			
	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
US Dollar ("**USD**")	381	1,344	3,438	10,862
Euro ("**EUR**")	21	21	22	1
HKD	—	—	70	481
Australian Dollar	—	—	8	8

	Liabilities			
	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
USD	4,155	1,094	—	—
EUR	96	98	—	—
Japanese Yen	218	—	—	—

The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises. As at December 31 2021, 2022 and 2023, no sensitivity analysis is presented since the management of the Group considers the exposure of foreign currency risk would be immaterial.

As at June 30, 2024, the following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and] represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where USD strengthen 5% against RMB. For a 5% weakening of USD against RMB, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would become negative.

	USD Impact
	As at June 30, 2024
	RMB'000
Profit or loss/Other comprehensive income	407

(ii) *Interest rate risk*

The Group's and the Company's fair value interest rate risk relates primarily to pledged/restricted deposits (Note 27), fixed-rate borrowings (Note 31), gold loans (Note 33) and lease liabilities (Note 30). The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances, which carry prevailing market interest rates. The Group and the Company manage interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

(iii) *Commodity price risk*

The Group is principally engaged in the sales of jewellery including gold products in the PRC. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans as well as derivative financial instruments of gold contracts, such as Au (T+D) contracts, to reduce its exposure to fluctuations in the gold price on gold products. Should the gold price go up, the Group would recognise a loss representing the increase in gold price compared to the contract price, and largely net against the increase in turnover of gold products as a result of gold price increase.

The Au (T+D) contracts are settled on a daily basis and the differences between the contract price and market price are immediately recognised in the consolidated statements of profit or loss and other comprehensive income. The gold loans are settled at maturity which usually mature in 3 to 12 months from date of inception and the fair value changes are immediately recognised in the consolidated statements of profit or loss and other comprehensive income. The gold price exposures are monitored by management in a timely manner.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, if the market price of gold had increased/decreased by 5%, post-tax profit for the Track Record Period, due to changes in fair values of gold loans, would have been approximately RMB18,262,000, RMB14,780,000, RMB18,844,000 and RMB15,511,000 lower/higher respectively.

(iv) *Other price risk*

The Group is exposed to price risk in respect of its financial products issued by banks classified as financial assets at FVTPL.

The management of the Group considers the fluctuation in fair value changes on financial products are insignificant, taking into account their short-term duration.

Credit risk

The Group's and the Company's exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is primarily attributable to trade receivables, other receivables, pledged/restricted deposits, cash and cash equivalents and financial products measured at FVTPL.

Except for financial products measured at FVTPL, the Group and the Company performed impairment assessment for financial assets under ECL model. Information about the Group's and the Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

The Group's and the Company's pledged/restricted deposits and cash and cash equivalents are deposited with banks or exchange or online payment platforms with high credit ratings and the Group and the Company have limited exposure to any single financial institution or counterparty.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals, other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and summarising of the credit-impaired information for further impairment assessment. The Group's trade receivables are due from a large number of customers. As at December 31, 2021, 2022 and 2023 and June 30, 2024, less than 10% of the total trade receivables were due from the Group's top five customers, respectively. The management closely monitors the subsequent settlement of the customers.

The Group's and the Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets subject to ECL assessment
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets which are subject to ECL assessment:

The Group

	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
			As at December 31,			As at June 30,
			2021	2022	2023	2024
			RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables *(Note 24)*	N/A *(note i)*	Lifetime ECL (provision matrix)	103,673	132,775	150,573	171,292
	Loss	Lifetime ECL — credit-impaired	41,133	33,844	36,312	35,862
			144,806	166,619	186,885	207,154
Other receivables *(Note 25)*	Low risk	12m ECL	10,954	11,927	13,361	16,732
	Loss	Lifetime ECL — credit-impaired	170	—	—	—
			11,124	11,927	13,361	16,732
Pledged/restricted deposits *(Note 27)*	Low risk	12m ECL	569,476	369,555	528,795	444,102
Cash and cash equivalents *(Note 27)*	Low risk	12m ECL	153,518	225,359	155,866	364,034

The Company

	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
			As at December 31,			As at June 30,
			2021	2022	2023	2024
			RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	N/A *(note i)*	Lifetime ECL (provision matrix)	—	514	29	642
Other receivables *(Note 25)*	Low risk	12m ECL	3,415	3,270	3,273	3,264
Amounts due from subsidiaries — trade *(Note 44)*	N/A *(note i)*	Lifetime ECL (provision matrix)	66,870	22,362	17,134	82,881
Amounts due from subsidiaries — non-trade *(Note 44)*	Low risk	12m ECL	—	—	36	71,514
Pledged/restricted deposits *(Note 27)*	Low risk	12m ECL	216,655	55,700	132,453	119,162
Cash and cash equivalents *(Note 27)*	Low risk	12m ECL	33,953	103,496	25,422	96,113

Note:

i. For trade receivables, the Group and the Company have applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables relating to customers with significant doubt on collection of receivables, the Group and the Company determine the ECL on these items on a collective basis, grouped by debtors' aging.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment because the debtors consist of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix. In addition, as at December 31, 2021, 2022 and 2023 and June 30, 2024, debtors with gross carrying amounts of RMB41,133,000, RMB33,844,000, RMB36,312,000 and RMB 35,862,000 were assessed individually.

The Group

	At December 31, 2021		At December 31, 2022		At December 31, 2023		At June 30, 2024	
Ageing	Loss rate	Trade receivables	Loss rate	Trade receivables	Loss rate	Trade receivables	Loss rate	Trade receivables
		RMB'000		RMB'000		RMB'000		RMB'000
Within 1 year	0.07%–0.24%	98,229	0.03%–0.07%	130,706	0.03%–0.04%	150,573	0.03%–0.05%	171,292
1–2 years	—	—	0.03%–5.14%	269	—	—	—	—
2–3 years	—	—	—	—	—	—	—	—
More than 3 years	100.00%	5,444	100.00%	1,800	100.00%	—	—	—
		103,673		132,775		150,573		171,292

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

The Group

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	21	34,391	34,412
Transfer to credit-impaired	(1)	1	—
Impairment losses recognised	216	13,321	13,537
Impairment losses reversed	—	(1,135)	(1,135)
Write-offs *(note)*	—	(1)	(1)
At December 31, 2021	236	46,577	46,813
Impairment losses recognised	2	—	2
Impairment losses reversed	(185)	(10,933)	(11,118)
At December 31, 2022	53	35,644	35,697
Impairment losses recognised	13	2,735	2,748
Impairment losses reversed	(6)	(2,067)	(2,073)
At December 31, 2023	60	36,312	36,372
Impairment losses recognised	34	—	34
Impairment losses reversed	(8)	(450)	(458)
At June 30, 2024	86	35,862	35,948

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

The Group

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021	1,837	170	2,007
Impairment losses recognised	869	—	869
Impairment losses reversed	(74)	—	(74)
At December 31, 2021	2,632	170	2,802
Impairment losses recognised	880	489	1,369
Impairment losses reversed	(340)	—	(340)
Write-offs *(note)*	—	(659)	(659)
At December 31, 2022	3,172	—	3,172
Transfer to credit-impaired	(112)	112	—
Impairment losses recognised	801	—	801
Impairment losses reversed	(400)	—	(400)
Write-offs *(note)*	—	(112)	(112)
At December 31, 2023	3,461	—	3,461
Impairment losses recognised	747	—	747
Impairment losses reversed	(85)	—	(85)
At June 30, 2024	4,123	—	4,123

The Company

	12m ECL
	RMB'000
At January 1, 2021	320
Impairment losses recognised	4
At December 31, 2021	324
Impairment losses recognised	53
At December 31, 2022	377
Impairment losses recognised	30
At December 31, 2023 and June 30, 2024	407

Note: The Group writes off a trade receivable or other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

Liquidity risk

In the management of the liquidity risk, the management of the Group monitors and maintains a reasonable level of cash and cash equivalents which is deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay.

The Group

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2021						
Financial liabilities						
Trade and bills payables	—	45,560	—	—	45,560	45,560
Other payables	—	81,209	—	—	81,209	81,209
Borrowings	1.78%–5.83%	1,353,623	—	—	1,353,623	1,336,920
Subtotal		1,480,392	—	—	1,480,392	1,463,689
Lease liabilities	5.22%–5.88%	12,407	11,801	6,326	30,534	28,204
Total		1,492,799	11,801	6,326	1,510,926	1,491,893

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2022						
Financial liabilities						
Trade and bills payables	—	64,953	—	—	64,953	64,953
Other payables	—	84,610	—	—	84,610	84,610
Borrowings	2.08%–5.83%	838,715	—	—	838,715	829,627
Subtotal		988,278	—	—	988,278	979,190
Lease liabilities	5.22%–5.88%	9,900	4,984	4,724	19,608	18,223
Total		998,178	4,984	4,724	1,007,886	997,413

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Financial liabilities						
Trade and bills payables	—	511,787	—	—	511,787	511,787
Other payables	—	92,277	—	—	92,277	92,277
Borrowings	3.60%–5.51%	802,593	—	—	802,593	790,041
Subtotal		1,406,657	—	—	1,406,657	1,394,105
Lease liabilities	5.22%–5.88%	7,926	6,183	2,986	17,095	15,992
Total		1,414,583	6,183	2,986	1,423,752	1,410,097

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2024						
Financial liabilities						
Trade and bills payables	—	302,191	—	—	302,191	302,191
Other payables	—	107,823	—	—	107,823	107,823
Borrowings	3.25%–7.92%	1,085,449	—	—	1,085,449	1,070,379
Subtotal		1,495,463	—	—	1,495,463	1,480,393
Lease liabilities	4.49%–5.88%	11,591	8,893	3,931	24,415	23,000
Total		1,507,054	8,893	3,931	1,519,878	1,503,393

The Company

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2021						
Financial liabilities						
Trade payables	—	4,540	—	—	4,540	4,540
Other payables	—	550	—	—	550	550
Amounts due to subsidiaries	—	962,313	—	—	962,313	962,313
Borrowings	4.00%–5.83%	287,826	—	—	287,826	278,966
Total		1,255,229	—	—	1,255,229	1,246,369

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2022						
Financial liabilities						
Trade payables	—	293	—	—	293	293
Other payables	—	567	—	—	567	567
Amounts due to subsidiaries	—	811,599	—	—	811,599	811,599
Borrowings	4.00%–5.83%	235,035	—	—	235,035	230,284
Total		1,047,494	—	—	1,047,494	1,042,743

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Financial liabilities						
Trade payables	—	1,062	—	—	1,062	1,062
Other payables	—	1,617	—	—	1,617	1,617
Amounts due to subsidiaries	—	680,098	—	—	680,098	680,098
Borrowings	3.60%–5.51%	435,856	—	—	435,856	430,554
Total		1,118,633	—	—	1,118,633	1,113,331

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2024						
Financial liabilities						
Trade payables	—	645	—	—	645	645
Other payables	—	5,074	—	—	5,074	5,074
Amounts due to subsidiaries	—	935,181	—	—	935,181	935,181
Borrowings	3.55%-5.51%	430,503	—	—	430,503	429,997
Total		1,371,403	—	—	1,371,403	1,370,897

Transfers of financial assets

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB690,000,000, RMB340,000,000, nil and nil were transferred to banks by discounting those receivables on a full recourse basis to secure bank borrowings amounting to RMB690,000,000, RMB340,000,000 and nil and nil (see Note 31) and these bills receivable and the related intra-group payables have been eliminated in the Historical Financial Information.

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements.

Except for financial assets at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

	Fair value as at					
	December 31,			June 30,		
Financial assets	2020	2021	2022	2024	Fair value hierarchy	Valuation technique(s) and key input(s)
	RMB'000	RMB'000	RMB'000	RMB'000		
Financial assets at FVTPL						
Financial products	6,011	—	—	—	Level 2	Discounted cash flow. Future cash flows are estimated based on expected returns, discounted at a rate that reflects the credit risk of various counterparties.

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 31, gold loans disclosed in Note 33, lease liabilities disclosed in Note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through new shares issues as well as raising of borrowings.

43. MAJOR NON-CASH TRANSACTIONS

For sale of gold products, the Group allows customers to use used gold products as part of the consideration for the transaction price. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, used gold as part of the consideration paid by franchisees and provincial-dealers amounted to RMB8,077,813,000, RMB5,797,415,000, RMB6,692,698,000, RMB2,316,822,000 (unaudited) and RMB2.701,083,000 respectively, and used gold paid by customers from self-operated stores amounted to RMB111,028,000, RMB96,691,000, RMB114,026,000, RMB61,379,000 (unaudited) and RMB58,938,000 respectively.

During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the Group entered into gold loan contracts with physical settlement amounting to RMB590,876,000, RMB478,542,000, RMB618,107,000, RMB506,658,000 (unaudited) and RMB 346,809,000 respectively and made settlement amounting to

RMB626,001,000, RMB580,310,000, RMB529,477,000, RMB416,933,000 (unaudited) and RMB415,252,000. Such borrowings and settlements, which are delivered by the inventories, are presented in the consolidated statements of cash flows as non-cash transactions.

During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the Group entered into certain new lease agreements for the use of leased properties. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB1,397,000, RMB10,653,000, RMB8,666,000, nil (unaudited) and RMB14,214,000 respectively during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

44. RELATED PARTY DISCLOSURES

(A) Related party transactions

During the Track Record Period, the Group and the Company have entered into the following transactions with related parties:

The Group

		For the year ended December 31,			For the six months ended June 30,	
Relationship	**Nature of transaction**	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
The controlling shareholders	Short-term lease expenses	—	24	191	12	179

Except for short-term lease in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB1,480,000 for the lease of retail stores with the controlling shareholders during the year ended December 31, 2022. The lease was early terminated on June 30, 2023.

The Group's borrowings guaranteed by Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin (as at December 31, 2021 only), the controlling shareholders of the Company, and secured by properties owned by Mr. Wang Zhongshan, the controlling shareholder, as at December 31, 2021, 2022 and 2023 and June 30, 2024 amounted to RMB1,288,336,000, RMB829,627,000, RMB710,020,000 and RMB620,832,000, respectively. The directors of the Company represented to us, the guarantee and security provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released upon the [REDACTED] of the Company on the Stock Exchange.

The Group's bills payable guaranteed by Mr. Wang Zhongshan and Ms. Zhang Xiuqin, the controlling shareholders of the Company, as at December 31, 2023 and June 30, 2024 amounted to RMB470,000,000 and RMB60,000,000. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released upon the [REDACTED] of the Company on the Stock Exchange.

The Group's gold loans guaranteed by Mr. Wang Zhongshan, Ms. Zhang Xiuqin and/or Mr. Wang Guoxin (as at December 31, 2021 only), the controlling shareholders of the Company, as at December 31, 2021, 2022 and 2023 and June 30, 2024 amounted to RMB486,998,000, RMB394,143,000, RMB502,508,000 and RMB413,627,000, respectively. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released upon the [REDACTED] of the Company on the Stock Exchange.

The Company

Relationship	Nature of transaction	For the year ended December 31, 2021	2022	2023	For the six months ended June 30, 2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Subsidiaries	Purchase of processing services, gold jewellery, raw materials, etc.	375,751	66,613	181,333	127,975	114,329
Subsidiaries	Sales of gold jewellery, raw materials, machinery, etc.	5,860,620	5,135,197	5,682,559	3,093,866	2,478,213
Subsidiaries	Rental income	344	—	—	—	—

The Company's borrowings guaranteed by Mr. Wang Zhongshan and Ms. Zhang Xiuqin, the controlling shareholders of the Company, as at December 31, 2021, 2022 and 2023 and June 30, 2024 amounted to RMB230,382,000, RMB230,284,000, RMB350,533,000 and RMB350,484,000 respectively. The directors of the Company represented to us, the guarantee provided by Mr. Wang Zhongshan and Ms. Zhang Xiuqin will be released upon the [REDACTED] of the Company on the Stock Exchange.

(B) Related party balances

The Company

Amounts due from subsidiaries:

	As at December 31, 2021	2022	2023	As at June 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade *(note i)*	66,870	22,362	17,134	82,881
Non-trade *(note ii)*	—	—	36	71,514
	66,870	22,362	17,170	154,395

Notes:

i. The amounts are aged within one year based on dates of delivery at the end of each reporting period.

ii. The amounts are unsecured, interest-free, and repayable on demand.

Amounts due to subsidiaries:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade *(note i)*	653,283	283,006	23,385	—
Non-trade *(note ii)*	309,030	528,593	656,713	935,181
	962,313	811,599	680,098	935,181

Notes:

i. The amounts are aged within one year based on the invoice date as at the end of each reporting period.

ii. The amounts are unsecured, interest-free, and repayable on demand.

(C) Remuneration of key management personnel of the Group

	For the year ended December 31,			For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Salaries and other allowances	3,214	3,242	3,394	1,746	1,837
Performance-based bonuses	1,555	1,575	1,826	788	659
Retirement benefits scheme	196	214	385	125	170
Equity-settled share-based payments expense	1,133	12	—	—	—
	6,098	5,043	5,605	2,659	2,666

45A. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

During the Track Record Period and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

			Proportion ownership interest and voting power held by the Company as at						
Name of subsidiaries	**Place and date of incorporation/ establishment**	**Issued and fully paid ordinary share capital/ registered capital**	**December 31, 2021**	**December 31, 2022**	**December 31, 2023**	**June 30, 2024**	**Date of the report**	**Principal activities**	**Direct/ indirect**
Shandong Yifu *(Note i)* 山東億福金業珠寶首飾有限公司 .	The PRC August 2, 2007	RMB 76,614,000.00	100%	100%	100%	100%	100%	Jewellery production	Direct
Shandong Mokingran Jewellery Limited* *(Note ii)* 山東夢金園珠寶首飾有限公司 . .	The PRC April 5, 2004	RMB 60,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Shandong Mokingran E-Commerce Limited* *(Note vii)* 山東夢金園電子商務有限公司 . .	The PRC December 12, 2014	RMB 3,000,000.00	100%	100%	100%	100%	100%	Jewellery retail	Indirect
Shenzhen Mokingran E-Commerce Limited* *(Note iii)* 深圳夢金園電子商務有限公司 . .	The PRC August 22, 2018	RMB 3,000,000.00	51%	51%	51%	51%	51%	Jewellery retail	Indirect
Shanghai Yuanjunmeng Diamond Limited* *(Note vii)* 上海緣君夢鑽石有限公司	The PRC December 3, 2014	RMB 1,000,000.00	100%	100%	100%	100%	100%	Diamond wholesale	Indirect
HONG KONG MOKINGRAN JEWELLERY GROUP LIMITED *(Note iv)* 香港夢金園國際珠寶集團有限公司	Hong Kong April 25, 2003	HKD 2,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Indirect
Beijing Mokingran Jewellery Limited* *(Note vii)* 北京夢金園珠寶首飾有限公司 . .	The PRC August 21, 2017	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Guangdong Mokingran Jewellery Limited* *(Note vii)* 廣東夢金園珠寶首飾有限公司 . .	The PRC August 1, 2017	RMB 2,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Jinan Mokingran Gold Jewellery Limited* *(Note vii)* 濟南夢金園黃金珠寶有限公司 . .	The PRC June 17, 2011	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Nanjing Mokingran Jewellery Limited* *(Note vii)* 南京夢金園珠寶首飾有限公司 . .	The PRC September 24, 2013	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Zhengzhou Mokingran Jewellery Limited* *(Note vii)* 鄭州夢金園珠寶首飾有限公司 . .	The PRC August 3, 2015	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Shenyang Mokingran Jewellery Limited* *(Note v)* 瀋陽市夢金園珠寶首飾有限公司 .	The PRC April 7, 2015	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion ownership interest and voting power held by the Company as at December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024	Date of the report	Principal activities	Direct/ indirect
Hangzhou Mokingran Jewellery Limited* *(Note vii)* 杭州夢金園珠寶首飾有限公司	The PRC August 26, 2016	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Tianjin Mokingran Jewellery Limited* *(Note vi)* 天津夢金園珠寶首飾有限公司	The PRC November 27, 2015	RMB 10,000,000.00	100%	100%	100%	100%	100%	Jewellery retail	Direct
Tianjin Zongyi Technology Development Limited* *(Note vii)* 天津宗儀科技研發有限公司	The PRC March 21, 2014	RMB 10,000,000.00	100%	100%	100%	100%	100%	Jewellery wholesale	Direct
Zhongbao Zhengxin Gold & Silver Jewellery Testing Limited* *(Note vii)* 中寶正信金銀珠寶首飾檢測有限公司	The PRC March 26, 2013	RMB 50,000,000.00	100%	100%	100%	100%	100%	Jewellery testing	Direct
Changle Chengxin Gold Limited* *(Note vii)* 昌樂誠信黃金有限公司	The PRC September 8, 2003	RMB 40,000,000.00	100%	100%	100%	100%	100%	Jewellery retail	Direct
Jinan Chengxin Mokingran Jewellery Limited* *(Note vii)* 濟南誠信夢金園珠寶首飾有限公司	The PRC May 15, 2019	RMB 1,000,000.00	100%	100%	100%	100%	100%	Jewellery retail	Indirect
Beijing Chengxin Mokingran Jewellery Limited* *(Note vii)* 北京誠信夢金園珠寶首飾有限公司	The PRC March 9, 2010	RMB 5,000,000.00	100%	100%	100%	100%	100%	Jewellery retail	Direct
Shenzhen Mokingran Jewellery Limited* *(Note vii)* 深圳市夢金園珠寶首飾有限公司	The PRC December 10, 2010	RMB 80,000,000.00	98.50%	100%	100%	100%	100%	Jewellery wholesale	Direct
Lhasa Jinqianhui Technology Limited* *(Note vii)* 拉薩金千匯科技有限公司	The PRC April 1, 2024	RMB 300,000.00/ RMB 1,000,000.00	—	—	—	51%	51%	Jewellery retail	Indirect
Changle Mokingran Jewellery Limited* *(Note vii)* 昌樂夢金園珠寶有限公司	The PRC April 11, 2024	RMB 1,000,000.00	—	—	—	100%	100%	Jewellery wholesale	Direct
Shanghai Mokingran Jewellery Limited* *(Notes vii & viii)* 上海夢金園黃金珠寶有限公司	The PRC September 24, 2013	RMB 10,000,000.00	—	—	—	—	—	Jewellery wholesale	Direct
Guangdong Jinmengyuan Jewellery Limited* *(Notes vii & viii)* 廣東金夢園珠寶首飾有限公司	The PRC August 3, 2015	RMB 10,000,000.00	—	—	—	—	—	Jewellery wholesale	Direct

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date. None of the subsidiaries had any debt securities outstanding as at December 31, 2021, 2022 and 2023 and June 30, 2024 or at any time during the Track Record Period.

Notes:

i. The subsidiary is a limited liability company. The financial statements of Shandong Yifu for the years ended December 31, 2021 and 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Beijing Xintuo Zixin Certified Public Accountants Co., Ltd* (北京信拓孜信會計師事務所有限公司) and Changle Zhengfang Certified Public Accountants Co., Ltd* (昌樂正方會計師事務所有限責任公司), respectively. No audited statutory financial statements were prepared for Shandong Yifu for the year ended December 31, 2023 as there are no statutory audit requirements.

ii. The subsidiary is a limited liability company. The financial statements of Shandong Mokingran Jewellery Limited for the year ended December 31, 2021 and 2023 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Shandong Shiji Yuanfei Certified Public Accountants* (山東世紀鳶飛會計師事務所). The financial statements of Shandong Mokingran Jewellery Limited for the year ended December 31, 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Changle Zhengfang Certified Public Accountants Co., Ltd* (昌樂正方會計師事務所有限責任公司).

iii. The subsidiary is a limited liability company. The financial statements of Shenzhen Mokingran E-Commerce Limited for the years ended December 31, 2021 and 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Guangdong Xingbai Certified Public Accountants (General Partnership)* (廣東省興百會計師事務所(普通合夥)). No audited statutory financial statements were prepared for Shenzhen Mokingran E-Commerce Limited for the year ended December 31, 2023 as there are no statutory audit requirements.

iv. The subsidiary is a limited liability company. The financial statements of HONG KONG MOKINGRAN JEWELLERY GROUP LIMITED for the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by Chu Sau Wai, Certified Public Accountant (Practising).

v. The subsidiary is a limited liability company. The financial statements of Shenyang Mokingran Jewellery Limited for the years ended December 31, 2021 and 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Changle Zhengfang Certified Public Accountants Co., Ltd* (昌樂正方會計師事務所有限責任公司). No audited statutory financial statements were prepared for Shenyang Mokingran Jewellery Limited for the year ended December 31, 2023 as there are no statutory audit requirements.

vi. The subsidiary is a limited liability company. The financial statements of Tianjin Mokingran Jewellery Limited for the years ended December 31, 2021 and 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Changle Zhengfang Certified Public Accountants Co., Ltd* (昌樂正方會計師事務所有限責任公司). No audited statutory financial statements were prepared for Tianjin Mokingran Jewellery Limited for the year ended December 31, 2023 as there are no statutory audit requirements.

vii. No audited statutory financial statements were prepared for these subsidiaries for the Track Record Period as there are no statutory audit requirements.

viii. The subsidiary was deregistered during the year ended December 31, 2021.

* *English name is for identification purpose only.*

45B. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cost of investments	1,730,510	1,733,125	1,725,125	1,726,125

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The increase in investments in subsidiaries at December 31, 2022 was due to further capital contribution to subsidiaries of RMB2,615,000 during the year ended December 31, 2022. The decrease in investments in subsidiaries at December 31, 2023 was due to capital reduction of a subsidiary of RMB8,000,000 during the year ended December 31, 2023. The increase in investments in subsidiaries at June 30, 2024 was due to capital contribution to a new subsidiary of RMB1,000,000 during the six months ended June 30, 2024

46. RESERVES OF THE COMPANY

	Share premium	Share-based payments reserve	Statutory reserve	(Accumulated losses)/retained profits	Total
	RMB'0000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	465,249	68,846	3,726	(1,896)	535,925
Profit and total comprehensive income for the year	—	—	—	450,632	450,632
Recognition of equity-settled share-based payments	—	2,268	—	—	2,268
Appropriation to statutory reserve	—	—	44,873	(44,873)	—
	—	2,268	44,873	(44,873)	2,268
At December 31, 2021	465,249	71,114	48,599	403,863	988,825
Profit and total comprehensive income for the year	—	—	—	54,917	54,917
Issue of shares	45,833	—	—	—	45,833
Recognition of equity-settled share-based payments	—	130	—	—	130
Appropriation to statutory reserve	—	—	5,492	(5,492)	—
Dividend declared	—	—	—	(78,715)	(78,715)
	45,833	130	5,492	(84,207)	(32,752)
At December 31, 2022	511,082	71,244	54,091	374,573	1,010,990
Profit and total comprehensive income for the year	—	—	—	128,999	128,999
Appropriation to statutory reserve	—	—	12,900	(12,900)	—
At December 31, 2023	511,082	71,244	66,991	490,672	1,139,989
Loss and total comprehensive income for the period	—	—	—	(30,307)	(30,307)
Dividend declared	—	—	—	(91,627)	(91,627)
At June 30, 2024	511,082	71,244	66,991	368,738	1,018,055

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2024.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's Reporting Accountants, as set out in Appendix I to this document, and is included in this document for information only. The [REDACTED] financial information should be read in conjunction with the section headed "Financial Information"in this document and the Accountants' Report set out in Appendix I to this document.

A. [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the [REDACTED] (as defined in this document) on the audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 as if the [REDACTED] had taken place on that date.

The [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 or any future dates following the [REDACTED].

The following [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 as derived from the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024	**Estimated net [REDACTED] from the [REDACTED]**	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024**	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 per Share**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	1,863,550	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	1,863,550	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The amount is calculated based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2024 amounting to approximately RMB1,870,162,000, as extracted from the Accountants' Report set out in Appendix I to this document, with adjustments for intangible assets of the Group attributable to owners of the Company of RMB6,612,000 as of June 30, 2024.

2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] to be issued at the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per [REDACTED], being the low-end and high-end of the stated [REDACTED] range, respectively, after deduction of the estimated [REDACTED] and share issue costs (including [REDACTED] fees and other related expenses) expected to be incurred by the Group (excluding the [REDACTED] that have been charged to profit or loss during the Track Record Period) subsequent to June 30, 2024. It does not take into account any Shares which may be issued upon the exercise of the [REDACTED]. For the purpose of calculating the estimated [REDACTED] from the [REDACTED], the translation of HK dollars into RMB was made at the exchange rate of HK$1.00 to [RMB0.9070] as disclosed by the People's Bank of China ("PBOC"), rate prevailing on [March 18, 2024]. No representation is made that HK dollars have been, would have been or may be converted to RMB, or vice versa, at that rate or at any other rates or at all.

3. The number of shares used for the calculation of [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 per Share is based on [REDACTED] shares immediately following completion of the [REDACTED]. It does not take into account any Shares which may be issued upon the exercise of the [REDACTED].

4. The [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 per Share is converted from RMB into HK dollars at the rate of HK$1.00 to [RMB0.9070] as disclosed by PBOC, rate prevailing on [March 18, 2024]. No representation is made that the RMB have been, would have been or may be converted to HK dollars, or vice versa, at that rate or at any other rates or at all.

5. No adjustment has been made to the [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024 to reflect any operating result or other transactions of the Group entered into subsequent to June 30, 2024.

6. Certain property interests of the Group as at June 30, 2024 have been valued by Cushman & Wakefield Limited, an independent property valuer. By comparing the valuation of the Group's property interests of approximately RMB119,000,000 provided by Cushman & Wakefield Limited and the carrying amounts of these properties of approximately RMB78,597,000 as at June 30, 2024, the valuation surplus is approximately RMB40,403,000 as at June 30, 2024, which was not reflected in the above adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024. The revaluation surplus has not been included in the Historical Financial Information as at June 30, 2024 as set out in Appendix I to this document. If the revaluation surplus was recorded in the Group's consolidated financial statements, the annual depreciation of the Group would increase by approximately RMB1,598,000.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF [REDACTED] FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's [REDACTED] financial information prepared for the purpose of incorporation in this document.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF [REDACTED] FINANCIAL INFORMATION

To the Directors of Mokingran Jewellery Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of [REDACTED] financial information of Mokingran Jewellery Group Co., Ltd. (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 [REDACTED] financial information consists of the [REDACTED] statement of adjusted consolidated net tangible assets as at June 30, 2024 and related notes as set out on pages [II-1] to [II-2] of Appendix II to the document issued by the Company dated [date] (the "Document"). The applicable criteria on the basis of which the Directors have compiled the [REDACTED] financial information are described on pages [II-1] to [II-2] of Appendix II to the Document.

The [REDACTED] financial information has been compiled by the Directors to illustrate the impact of the proposed initial [REDACTED] of shares of the Company (the "[REDACTED]") on the Group's financial position as at June 30, 2024 as if the [REDACTED] had taken place at June 30, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2023 and the six months ended June 30, 2024, on which an accountants' report set out in Appendix I to the Document has been published.

Directors' Responsibilities for the [REDACTED] Financial Information

The Directors are responsible for compiling the [REDACTED] financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

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.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the [REDACTED] 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 [REDACTED] 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 Document" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the [REDACTED] financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the [REDACTED] financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the [REDACTED] financial information.

The purpose of [REDACTED] financial information included in an [REDACTED] 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 June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the [REDACTED] 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 [REDACTED] 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 [REDACTED] adjustments give appropriate effect to those criteria; and
- the [REDACTED] financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the [REDACTED] financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the [REDACTED] 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 [REDACTED] 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 [REDACTED] financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of values of the property interests held by the Group in the PRC as at 31 August 2024.

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

[●] November 2024

The Directors
Mokingran Jewellery Group Co., Ltd
No. 15 Ziyuan Road,
Huayuan Industrial Park,
Binhai High-tech Zone,
Tianjin,
The PRC

Dear Sir,

Instructions, Purpose & Valuation Date

We refer to the instruction of Mokingran Jewellery Group Co., Ltd (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to prepare market valuations of the properties in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the values of the properties as at 31 August 2024 (the "**valuation date**").

Valuation Basis

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of each of the properties is on an entirety interest basis.

Valuation Assumptions

Our valuations of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's legal adviser, Jia Yuan Law Offices, regarding the titles to the properties and the interests of the Company in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the undeveloped land portion of property no. 1, we have adopted Market Comparison by making reference to comparable sales evidence as available in the relevant market.

In valuing the developed portion of property no. 1, and property nos. 2 and 3, we have used Investment Method by capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the property at an appropriate capitalisation rate. We have also cross-checked by Market Comparison Method by making reference to comparable sales evidence as available in the relevant market. Transactions involving large scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as the investment property portions generate rental income from letting arrangements and such rental comparables are more readily available, we consider Investment Method, which is also commonly used in valuing properties for investment purpose, to be the best method to value these property portions.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Jia Yuan Law Offices regarding the title to the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, completion date of buildings, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuations. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

Site Inspection

Ms. Ada Wang (Assistant Manager) of our Tianjin Office and Mr. Eric Liu (Director) of our Beijing Office, inspected the exterior and, where possible, the interior of the properties in between June and September 2024. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. of the properties for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected extraordinary expenses or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Intended Use and User of Report

This valuation report is issued only for the use of the Company for incorporation into its [REDACTED].

Currency

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S. M. Lam
MRICS, MHKIS, R.P.S.(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Grace S.M Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 August 2024 (RMB)
	Properties held by the Group for investment in the PRC	
1.	A development, No. 12 Rongyuan Road, Huayuan Industrial Park, Binhai High-tech Zone, Tianjin, the PRC	55,000,000
2.	Levels 5 to 9 of south building, Levels 3 to 9 of north building and podium level 3 of a development, No. 15 Ziyuan Road, Huayuan Industrial Park, Binhai High-tech Zone, Tianjin, the PRC	53,000,000
3	Units 6001-6002, No. 59 Xinjiekou North Street, Xicheng District, Beijing, the PRC	11,000,000
	Total:	119,000,000

VALUATION REPORT

Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2024
1.	A development, No. 12 Rongyuan Road, Huayuan Industrial Park, Binhai High-tech Zone, Tianjin, the PRC	The property comprises a 2-storey warehouse building erected on a parcel of land of 20,652.8 sq m. The existing warehouse building has a total gross floor area of 7,555.42 sq m. The land use rights of the property have been granted for a term of 50 years from 27 May 2017 to 26 May 2067 for industrial/non-residential use.	As at the valuation date, the property was vacant.	RMB55,000,000 (RENMINBI FIFTY FIVE MILLION)

Notes:

(1) According to Certificate of Real Estate Ownership No. 1000037, the real estate ownership of the property with a total gross floor area of 7,555.42 sq m has been vested in Mokingran Jewellery Group Co., Ltd for a term of 50 years from 27 May 2017 to 26 May 2067 for industrial/non-residential use.

(2) According to Grant Contract of Land Use Rights No. TJ10252016005, the land use rights of the property have been contracted to be granted to 夢金園黃金珠寶集團有限公司. The details are summarized as follows:

(a)	Site area	:	20,652.7 sq m
(b)	Use	:	Industrial
(c)	Land use term	:	50 years for industrial use
(d)	Plot ratio	:	≥0.6 and ≤1.5 (exclusive of the warehouse building of gross floor area of 7,555.42 sq m)

(3) In valuing the undeveloped land portion of the property, we have used market comparison method with the key input being an accommodation value of RMB1,070/ sq m. In valuing the existing warehouse building of the property, we have used investment method with the key input being a capitalization rate of 7%.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(a) Mokingran Jewellery Group Co., Ltd is the legal owner of the property;

(b) The property is subject to a mortgage;

(c) Mokingran Jewellery Group Co., Ltd has the right to occupy and use the property and transfer the property with approval from the mortgagee; and

(d) Mokingran Jewellery Group Co., Ltd has complied with the requirements outlined in the building covenants of the Grant Contract of Land Use Rights.

VALUATION REPORT

Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2024
2	Levels 5 to 9 of south building, Levels 3 to 9 of north building and podium level 3 of a development, No. 15 Ziyuan Road, Huayuan Industrial Park, Binhai High-tech Zone, Tianjin, the PRC	The property comprises various research office floors of a 10-storey development completed in 2015. The property has a total gross floor area of 8,236 sq m. The land use rights of the property have been granted for a term of 50 years due to expire on 9 March 2050 for industrial/non-residential use.	As at the valuation date, portions of the property with a total gross floor area of 3,500 sq m were subject to various tenancies with the latest one due to expire on 31 August 2026 at a total monthly rent of approximately RMB197,000 exclusive of value-added tax and building management fees. The remaining portions of the property were vacant.	RMB53,000,000 (RENMINBI FIFTY THREE MILLION)

Notes:

(1) According to Certificate of Real Estate Ownership No. 1001534, the real estate ownership of the property with a total gross floor area of 8,236 sq m has been vested in Mokingran Jewellery Group Co., Ltd for a term of 50 years due to expire on 9 March 2050 for industrial/non-residential use.

(2) In valuing the property, we have used investment method with the key input being a capitalization rate of 6.25%.

(3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(a) Mokingran Jewellery Group Co., Ltd is the legal owner of the property;

(b) The property is subject to a mortgage; and

(c) Mokingran Jewellery Group Co., Ltd has the right to occupy and use the property and transfer the property with approval from the mortgagee.

VALUATION REPORT

Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2024
3	Units 6001–6002, No. 59 Xinjiekou North Street, Xicheng District, Beijing, the PRC	The property comprises two office units of a 6-storey building completed in 2011. The property has a total gross floor area of 507.19 sq m. The land use rights of the property have been granted for a term of 50 years from 27 August 2004 to 26 August 2054 for office use.	As at the valuation date, the property was subject to a tenancy for a term due to expire on 31 August 2025 at a total monthly rent of RMB70,000 exclusive of value-added tax and building management fees.	RMB11,000,000 (RENMINBI ELEVEN MILLION)

Notes:

(1) According to Certificate of Real Estate Ownership Nos. 057101 and 057103, the real estate ownership of the property with a total gross floor area of 507.19 sq m has been vested in Beijing Chengxin Mokingran Jewellery Limited for a term of 50 years from 27 August 2004 to 26 August 2054 for office use.

(2) In valuing the property, we have used investment method with the key input being a capitalization rate of 6%.

(3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(a) Beijing Chengxin Mokingran Jewellery Limited is the legal owner of the property; and

(b) Beijing Chengxin Mokingran Jewellery Limited has the right to occupy, use and dispose of the property.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

No issues of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty are addressed in this discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

(1) The PRC Taxation

A. *Taxation on Dividends*

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018, dividends distributed by PRC enterprises are subject to PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty.

Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual holds more than one year of the shares of a listed company obtained from the public offering and transfer of the stock market of the listed company, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfer of the stock market by the listed company, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was issued on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law (《企業所得稅法》)**") amended by the NPC and became effective on December 29, 2018, and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) amended by the State Council and became effective on April 23, 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. Such withholding tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation. Such withholding tax payable by non-resident enterprises is deducted at source, where the payer, as the obligor for the withholding tax, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas nonresident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Nonresident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票

股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the SAT and implemented on July 24, 2009, further provides that any PRC-resident enterprise listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to nonresident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was issued on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company.

Tax agreements

Non-PRC resident investors residing in countries which have entered into agreements for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC has entered into Avoidance of Double Taxation Arrangements with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

B. ***Taxation on Share Transfer***

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to income tax at a rate of 20%.

Pursuant to the Circular of the MOF and SAT on continuing to exempt Individual Income Tax over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. Under the latest Individual Income Tax Law amended on August 31, 2018 and its latest implementation regulations amended on December 18, 2018, the State Administration of Taxation has not explicitly stated whether it will continue to exempt from income tax for the income derived from the transfer of listed shares by individuals. However, on December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), states that individuals' income from the transfer of listed shares on certain domestic stock exchanges shall continue to be exempted from individual income tax, except for the specific restricted shares (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70)). As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a EIT on its PRC-sourced income at a rate of 10% (including proceeds derived from the sale of equity securities of PRC resident enterprises). Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such withholding tax may be reduced or exempted to avoid double taxation in accordance with applicable agreements or protocols.

C. *Stamp Duty*

Pursuant to the Stamp Duty Law of the People's Republic of China, which was amended on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to all kinds of documents which are legally binding in the PRC and protected by the PRC laws. Therefore, the PRC stamp duty does not apply to the acquisition or disposal of H Shares outside the PRC.

D. *Estate Duty*

As at the Latest Practicable Date, no estate duty has been levied in the PRC under the PRC laws.

(2) Hong Kong Taxation

A. *Taxation on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by our Company.

B. *Profits Tax*

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

C. *Stamp Duty*

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.20% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

D. *AFRC Transaction Levy*

Starting from January 1, 2022, the AFRC transaction levy will apply to all securities purchases and sales, which will be calculated based on the interest rate of both parties at 0.00015%, and be regarded as a transaction cost.

E. *Estate Duty*

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

2. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely convertible into foreign exchange. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the "**Regulations on Foreign Exchange Administration**") which became effective on April 1, 1996. The Regulations on Foreign Exchange Administration classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the SAFE's approval, while capital account items are still subject to such approval. The Regulations on Foreign Exchange Administration were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Regulations on Foreign Exchange Administration clearly states that PRC will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Reforming the RMB Exchange Rate Regime issued by the People's Bank of China (PBOC Announcement [2005] No. 16) on July 21, 2005, starting from July 21, 2005, the PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Renminbi is no longer pegged to US dollar. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trading Center to make inquiries with all the market-makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day.

On 5 August 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration (外匯管理條例) (the "**Amended Regulations on Foreign Exchange**") which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures on international balance of payments when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorisation to the SAFE to enhance its supervisory and administrative capacity.

On August 11, 2015, the PBOC announced to improve the central parity of RMB against U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks. PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the State Administrative of Foreign Exchange, effect exchange and payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with the relevant regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect exchange and payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment of dividends at the designated foreign exchange bank.

On October 23, 2014, the State Council promulgated the Decision on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (Guo Fa [2014] No. 50) (關於取消和調整一批行政審批項目等事項的決定), which canceled the administrative approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外滙管理有關問題的通知), pursuant to which a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation; the proceeds from an overseas listing may be remitted to the corresponding domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. Approval by the SAFE is needed to convert the proceeds deposited in the domestic account to Renminbi. According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE on June 9, 2016, foreign currency earnings in capital account (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance. According to the Constitution and the Legislation Law of the PRC (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions.

Otherwise, if the law provides on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, NAO and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the permissions of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of the procuratorate should be interpreted by the Supreme People's Procuratorate, and issues related to laws other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

The PRC Judicial System

Under the Constitution, the Law of Organization of the People's Court of the PRC (2018 Revision) (《中華人民共和國人民法院組織法(2018修訂)》) and the Law of Organization of the People's Procuratorate of the PRC (2018 Revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the People's Courts of the PRC are divided into the Supreme People's Court, the local people's courts at all levels and special people's courts. The local people's courts at all levels are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels. The people's procuratorates of the PRC are divided into the Supreme People's Procuratorate, the local people's procuratorates at all levels, Military Procuratorates and other special people's procuratorates. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended five times on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 respectively, prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

The Company Law of the People's Republic of China

The Company Law of the People's Republic of China (hereinafter referred to as the "**PRC Company Law**") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The newly revised PRC Company Law has been implemented since July 1, 2024.

A "joint stock limited company" refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to the total amount of all assets it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

The joint stock limited companies shall carry out business in compliance with the requirements of laws and administrative regulations. They may invest in other limited liability companies and joint stock limited companies, and its liabilities for an invested company are limited to the extent of its investment amount. Unless otherwise provided by laws, the joint stock limited companies shall not assume any joint liability for the debts of an invested company in its capacity as a capital contributor.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of one but no more than 200 people as its promoters, over half of which must be residents within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by promoters are fully paid up. For companies established by share offering, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, a company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with the company registration authorities, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must publish a document and prepare a subscription letter to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC laws must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription money. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the deadline stipulated in the document, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant company registration authority for industry and commerce and a business license has been issued.

A company's promoters shall be liable for: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated; (2) the subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

Increase in Share Capital

Pursuant to the relevant provisions of the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares to the public upon the approval by CSRC, a new share offering document and financial accounting report must be announced and a subscription letter must be prepared. After the new shares issued by the company have been paid up, the change must be registered with the company registration authority and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company shall reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at general meeting; (3) the company shall notify its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days from the day on which the resolution approving the reduction was passed; (4) the creditors of the company are entitled to require the company to repay its debts or provide guarantees for such debts within 30 days from receipt of the notification or within 45 days from the date of the announcement if he/she/it has not received any notification; and (5) the company must apply to the company registration authority for change in registration.

Repurchase of Shares

Pursuant to the PRC Company Law, a company may not repurchase its own shares other than for the following purposes: (1) reducing its registered capital; (2) merging with other companies which hold its shares; (3) granting shares to its employees as incentives; (4) acquiring its shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger and division; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares on the grounds set out in items (1) to (2) above shall be approved by way of a resolution of a shareholders' general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the articles of association or the authorization of the shareholders' general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares shall be canceled within ten days from the date of the acquisition under the circumstance in item (1); such shares shall be transferred or canceled within six months under the circumstances in items (2) or (4); the total shares held by the Company shall not exceed 10% of the total shares issued by the Company and such shares shall be transferred or canceled within three years under the circumstances in items (3), (5) or (6).

A listed company shall perform its information disclosure obligations in accordance with the provisions of the Securities Law of People's Republic of China when acquiring its own shares. The acquisition by a listed company of its own shares in circumstances as set out in items (3), (5) and (6) above shall be conducted through open centralized trading. The company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally. Pursuant to the PRC Company Law, a shareholder should effect a transfer of its shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights: (1) to receive a return on assets, participate in significant decision-making and select management personnel; (2) to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, regulations or the articles of association, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution; (3) to transfer the shares of the shareholders legally; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights; (5) to inspect and copy the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative regulations and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with relevant provisions of the PRC Company Law. The general meeting may exercise its powers: (1) to elect and dismiss the directors and supervisors not being representative(s) of employees and to decide on the matters relating to the remuneration of directors and supervisors; (2) to review and approve the reports of the board of directors; (3) to review and approve the reports of the board of supervisors or the reports of the supervisors; (4) to review and approve the company's profit distribution proposals and loss recovery proposals; (5) to decide on any increase or reduction of the company's registered capital; (6) to decide on the issue of corporate bonds; (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (8) to amend the company's articles of association; and (9) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law, a shareholders' general meeting is required to be held once every year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) the board of directors deems necessary; (5) the board of supervisors so proposes; or (6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director recommended by more than half of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties, the board of supervisors shall convene and preside over the shareholders' general meeting in a timely manner. If the board of supervisors fails to convene and preside over the shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over the shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, more than one percent of the shares of the company may submit an interim proposal in writing to the board of directors within ten days before the general meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation, provided that such provisional proposal is in violation of the requirements under laws, administrative regulations or the Articles of Association, or fall out of the powers of the shareholders' general meeting. A general meeting shall not make any resolution in respect of any matter not set out in the notices. Holders of bearer share certificates who intend to attend a general meeting shall deposit their share certificates with the company during the time from five days before the meeting to the conclusion of the meeting.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, in each case of which must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and such other matters must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters. A shareholder may entrust a proxy to attend the general meeting on his/her behalf. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization. Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board of directors, which shall consist more than 3 members. In the case of a limited liability company with three hundred or more employees, except when the supervisory board has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Upon expiry of the term, a director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers: (1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings; (2) to implement the resolutions passed by the shareholders at the shareholders' general meetings; (3) to decide on the company's operational plans and investment proposals; (4) to formulate the company's profit distribution proposals and loss recovery proposals; (5) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds; (6) to formulate proposals for the merger, division or dissolution of the company or change of corporate form; (7) to decide on the setup of the company's internal management organs; (8) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations; (9) to formulate the company's basic management system; and (10) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within ten days of receiving such proposal and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. Meanwhile, the board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company: (1) a person who is unable or has limited ability to undertake any civil liabilities; (2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence and the person is sentenced to probation, it has not been more than two years since the expiration of the probation period; (3) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and (5) a person who is liable for a relatively large amount of debts that are overdue and is listed as a person subject to execution for breach of trust by the People's Court.

Where a company elects or appoints a director to which any of the above circumstances, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. A joint stock limited company may, in accordance with its articles of association, instead of having set up a supervisory board or supervisors, establish an audit committee which comprises directors of the Board of Directors and exercises the functions and powers of the supervisory board as stipulated in this Law. A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a supervisory board to exercise the functions and powers prescribed for the supervisory board by the Company Law. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association.

Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of all the supervisors. Directors and senior management members shall not act concurrently as supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing, or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing, or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected upon expiry of the term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory board may exercise its powers: (1) to review the company's financial position; (2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings; (3) when the acts of a director or a senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts; (4) to propose the convening of shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law; (5) to submit proposals to the shareholders' general meetings; (6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and (7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Under the relevant requirements of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director. According to the relevant requirements of the PRC Company Law, senior management refers to manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and shall be obliged to be faithful and diligent towards the Company. Directors, supervisors and senior management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Furthermore, directors and senior management are prohibited from: (1) misappropriating company funds; (2) depositing company funds into accounts under their own names or the names of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors; (4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting; (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting; (6) accepting for their own benefit commissions from a third party for transactions conducted with the company; (7) unauthorized divulgence of confidential information of the company; and (8) other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the supervisory board institute litigation at the people's court. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at the people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at the people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at the people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at the people's court.

Finance and Accounting

Under the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments under the State Council. At the end of each accounting year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with laws. The financial and accounting reports shall be prepared in accordance with laws, administrative regulations and the regulations of the financial departments under the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the PRC company's registered capital. When the company's statutory common reserve fund is insufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

The premium over the nominal value per share of the company on issue and other income as required by relevant governmental department to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make up the company's losses, expand its business operations or increase its capital. The capital reserve fund. The discretionary reserve fund and the statutory reserve fund shall first be used in making up the losses of the company, and for any losses left to be set off, the capital reserve fund may be utilized in accordance with the provisions. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer. The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting, the board of directors or supervisory board in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or supervisory board conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of data.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons: (1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (2) the shareholders have resolved at a shareholders' general meeting to dissolve the company; (3) the company shall be dissolved by reason of its merger or division; (4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors, unless the Articles of Association provide otherwise or the general meeting resolves to elect other person(s). If a liquidation committee is not established within the stipulated period, the interested parties can apply to the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation: (1) to sort out the company's assets and to prepare a balance sheet and an inventory of assets; (2) to notify the company's creditors or publish announcements; (3) to deal with any outstanding business related to the liquidation; (4) to pay any overdue tax together with any tax arising during the liquidation process; (5) to settle the company's claims and liabilities; (6) to handle the company's remaining assets after its debts have been paid off; and (7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days of its establishment, and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim. Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for declaration of bankruptcy in accordance with the laws. After the Company's bankruptcy application is accepted by the People's Court, the liquidation committee shall hand over the administration of the liquidation to the official receiver designated by the People's Court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for verification, and to the company registration authority for the cancelation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors. In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Under the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), (i) a domestic enterprise in the PRC that directly or indirectly issues securities outside the PRC or lists and trades its securities outside the PRC shall file a report with the CSRC and submit the relevant materials; if a domestic enterprise fails to comply with the procedures for filing a report, or hides important facts or fabricates any material content in the report, the domestic enterprise may be subject to administrative penalties such as rectification order, warnings, fines, and so forth, and the controlling shareholders, actual controllers, officers in charge and other persons directly responsible may also be subject to administrative penalties such as warnings, fines, and so forth; (ii) the direct overseas issuance and listing of a domestic enterprise refers to the overseas issuance and listing of shares of a joint stock limited company registered and established in the PRC; and (iii) any domestic joint stock limited company shall file a report with the CSRC within three working days after the submission of its application for an overseas listing. A PRC domestic enterprise that fails to complete the filing in accordance with the Trial Administrative Measures may be ordered by the CSRC to make corrections, given a warning and fined not less than RMB1 million and not more than RMB10 million.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

Under the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days from the date of reception of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within ten days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the registration as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering CSRC.

CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations on the Administration of the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of shares, issuing of and trading of shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law (《中華人民共和國證券法》) (the "Securities Law") took effect on July 1, 1999 and was successively amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019. The latest Securities Law was implemented on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies and the duties and responsibilities of the securities exchanges, securities companies, securities registration and clearing institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises shall satisfy the relevant requirements of the State Council when it issues shares or lists and trades shares outside the PRC directly or indirectly. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the involved parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. However, the people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, or the making of an award on matters beyond the scope of the arbitration agreement or outside the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the relevant matters for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") passed on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (1) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations. An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflect the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong

Kong arbitral bodies may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, the awards may not be enforced.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "**HKSFC**") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission — Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "**CSDCC**") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of Shares on the Stock Exchange, the Company are governed by the PRC Company Law and all the rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Corporate

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registry of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on July 1, 2024 has no provision on the minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock, in which case the company should follow such provisions.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities. There are no such minimum capital requirements on a Hong Kong company under Hong Kong law.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and transfer procedures of property rights must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on subscription of shares by a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our [REDACTED] Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or government authorized departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas [REDACTED] shares, which are denominated in Renminbi and subscribed for in a foreign currency other than Renminbi, may only be subscribed for, and traded by investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade Southbound Hong Kong trading Link and Northbound Shanghai trading Link (or the Northbound Shenzhen trading Link) shares via participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholder disposal of shares.

Financial Assistance for Acquisition of Shares

Pursuant to the PRC Company Law, the company shall not provide gifts, loans, guarantees or other financial assistance to other persons for the acquisition of shares in the company or its parent company, except for the implementation of the company's employee share ownership schemes.

For the interests of the company, upon a resolution of the general meeting, or a resolution of the Board of Directors in accordance with the Articles of Association or the authorization of the general meeting, the company may provide financial assistance to other persons for the acquisition of shares in the company or its parent company, provided that the cumulative total amount of the financial assistance shall not exceed 10% of the total issued share capital. Resolutions made by the Board of Directors shall be approved by more than two-thirds of all directors.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong Company Law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of supervisory board. A joint stock limited company may, in accordance with its articles of association, instead of having set up a supervisory board or supervisors, establish an audit committee which comprises directors of the Board of Directors and exercises the functions and powers of the supervisory board as stipulated in this Law. A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a supervisory board to exercise the functions and powers prescribed for the supervisory board by the Company Law. There is no mandatory requirement for the establishment of supervisory board for a company incorporated in Hong Kong.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary general meeting must be given to shareholders at least 20 days and 15 days before the meeting, respectively.

For a company incorporated in Hong Kong, the minimum period of notice is 14 days in the case of an annual general meeting. Further, where a general meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' General Meetings

Under the Companies Ordinance, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provided. For companies with only one shareholder, the quorum must be one shareholder. The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under the Companies Ordinance, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by shareholders present at a shareholders' meeting except in cases such as proposed amendments to the articles of association, increase or decrease of registered capital, merger, division, dissolution or transformation of corporate form, which require more than two-thirds of the affirmative votes cast by shareholders present at a shareholders' general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company's annual general meeting, not less than 21 days before such meeting. A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the board of supervisors and financial and accounting reports, which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its shareholders under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at general meeting.

Statutory Common Reserve Fund Withdrawal

Under the PRC Company Law, when a joint stock limited company allocating the after-tax profits of the current year, the Company shall allocate ten (10) percent of its profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year. As required by the PRC Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

Derivative Action by Minority Shareholders

According to Hong Kong law, as permitted by court, shareholders may initiate a derivative action on behalf of the company against directors who have any misconduct to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. If the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company, have the right to initiate proceedings directly to the people's court in their own name.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the business of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

According to the PRC Company Law, in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss to the interest of its shareholders, and where this cannot be resolved through other means, the shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court of the PRC for the dissolution of the company.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate individual regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate general meeting; (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of the relevant class of shares; or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts.

The PRC Company Law provides that the shareholders may lodge an action in the People's Court of the PRC if any director or senior executive violates laws, administrative regulations or the articles of association and infringes upon the interests of shareholders.

This appendix sets out the summary of the principal provisions of the Articles of Association. The principal objective of this appendix is to provide potential [REDACTED] with an overview of the Articles of Association, hence it does not contain all information that may be important to potential [REDACTED]. As stated in the section "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to the Document, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Share Issuance

The shares of the Company shall take the form of share certificates.

All the shares issued by the Company shall have a par value, which shall be RMB1 for each share.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the equal rights.

The issuing conditions and price for each share of the same class issued at the same time shall be the same and each share subscribed by any entity or individual shall be subscribed at the same price.

The Company shall fulfill the filing procedures with China Securities Regulatory Commission (hereinafter referred to as the "CSRC") in accordance with the laws for [REDACTED] its shares to both domestic and foreign investors.

Increase, Decrease and Repurchase of Shares

According to the need of the operation and development and in compliance with the provisions of the laws and regulations, the Company may increase its capital in any of the following ways respectively upon resolution by the general meeting:

(I) [REDACTED] shares;

(II) [REDACTED] shares;

(III) issue bonus shares to existing shareholders;

(IV) convert capital reserves into share capital;

(V) other means permitted by laws and administrative regulations, and CSRC.

The Company may reduce its registered capital. The reduction of registered capital shall follow the procedures set forth in the PRC Company Law and other regulations and provisions of the Articles of Association.

The Company may not repurchase its own shares, save as under the following circumstances:

(I) reduction of the registered capital of the Company;

(II) merging with another companies holding holds shares in the Company;

(III) granting shares for employee share ownership schemes or share option incentives;

(IV) being requested to repurchase the shares held by the shareholders who disagree on the resolution approved at the general meeting in relation to the merger or division of the Company;

(V) utilizing shares for conversion into convertible corporate bonds issued by the [REDACTED] company;

(VI) being deemed necessary by the [REDACTED] company for the protection of the company's value and shareholders' interests.

Repurchase of the Company's shares can be carried out in a public and centralized manner, or other ways approved by the laws and administrative regulations and the CSRC.

Repurchase of the Company's shares in the circumstances as stipulated in items (III), (V) or (VI) of the preceding paragraph shall be carried out in a public and centralized manner.

If the repurchase is made for reasons set out in items (I), (II) of the preceding paragraph, the prior approval shall be obtained from the general meeting in accordance with the provisions of the Articles of Association. If the repurchase is made for reasons set out in items (III), (V) or (VI) of the preceding paragraph, it shall be approved by resolution passing by more than two-thirds of the votes cast by the directors attending the board meeting.

If relevant matters involved in the repurchase of shares aforementioned are otherwise required by the laws, administrative regulations, departmental rules, the Articles of Association and Hong Kong Stock Exchange, such requirements and regulations shall prevail.

Share Transfer

Shares of the Company are legally transferable.

The Company refuses its own stocks as the subject matter of pledge right.

Shares of the Company held by the promoters shall not be transferred within one year from the Company's establishment. The Shares which have already been issued prior to the Company's [REDACTED] shall not be transferred within one year after the Company's stocks are [REDACTED] at the stock exchange.

The directors, supervisors and senior management of the Company shall report to the Company the shares held by them in the Company and any alterations to the shares so held, and the shares transferred each year by them during their terms of office shall not exceed 25% of their total shares of the same type in the Company; the shares of the Company held by them shall not be transferred within one year after the Company's stocks are [REDACTED]. The aforesaid persons shall not transfer the shares of the Company held by them for the period of six months after they leave the Company.

When any shareholder, holding more than 5% of the company's shares, of the Company or any director, supervisor, senior management of the company disposes of his/her/its shares or other securities with an equity nature in the company within six months of purchase, or purchases shares in the Company again within six months after disposal, the proceeds derived therefrom shall be retained for the benefit of the company and be revoked by the Board of Directors of the Company. However, the disposals by brokerage companies holding more than 5% of the shares in the Company due to the fact that their underwritten shares remain unsubscribed and other circumstances stipulated by the CSRC shall not be subject to the restriction.

The shares or other securities with an equity nature held by any director, supervisor, senior management and natural person shareholder referred to in the preceding paragraph shall include the shares or other securities with an equity nature held by their spouses, parents and children, and those held through others' accounts.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall maintain a register of shareholders with the evidences provided by the securities registration institution, and the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy rights and assume obligations according to the class of shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The issuance or transfer of all the overseas-[REDACTED] foreign-invested shares shall be recorded on the register of shareholders for holders of overseas-[REDACTED] foreign-invested shares deposited at the place of [REDACTED] in accordance with the Articles of Association.

The shareholders of the Company shall have the following rights:

(I) to receive dividends and profit distributions in any other form in proportion to the shares they hold;

(II) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;

(III) to supervise, manage, make recommendations or make inquiries about the operations of the Company;

(IV) to transfer, bestow or pledge shares held by them in accordance with laws, relevant requirements of the securities regulatory authorities of the place where the Company's shares are [REDACTED] and provisions of the Articles of Association;

(V) to inspect the Articles of Association, register of members, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(VI) in the event of the termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the shares held by them;

(VII) to require the Company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the Company;

(VIII) to enjoy other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

If any shareholder proposes to inspect the relevant information mentioned in the preceding article or asks for information, the said shareholder shall provide the Company with written documents bearing evidence of the class and number of shares held by the said shareholder, and the Company will provide the information as required by the said shareholder upon verification of the said shareholder's identity.

If any resolution of the general meeting or the Board of Directors of the Company violates the laws or administrative regulations, the shareholders shall have the right to request the people's court to invalidate the resolution.

If the convening procedure or voting method of the general meetings or Board of Directors meetings violates the laws, administrative regulations or the Articles of Association or the contents of a resolution run counter to the Articles of Association, the shareholders shall have the right to request the people's court to cancel such resolution within sixty days after passing the resolution.

Where the Company incurs losses as a result of violation by directors, supervisors and members of the senior management of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company, the shareholders individually or in aggregate holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to request in writing the Board of Supervisors to initiate proceedings to the People's Court; where the Company incurs losses as a result of violation by the

Board of Supervisors of any provisions of laws, administrative regulations or the Articles of Association in the course of performing its duties with the Company, such shareholders may make a request in writing to the Board of Directors to initiate proceedings to the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraph, or fails to initiate such proceedings within 30 days from the date of receiving such request, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the preceding paragraph shall have the right to for the benefit of the Company initiate proceedings to the People's Court directly in their own names.

Where the Company incurs losses as a result of infringement upon the legitimate rights and interests of the Company by any other persons, the shareholders stated in the preceding paragraph may initiate proceedings to the People's Court pursuant to the provisions of the first two paragraphs.

Shareholders may initiate proceedings to the People's Court in the event that a director or a senior management officer has violated laws, administrative regulations or the Articles of Association, damaging the interests of shareholders.

The shareholders of the Company shall have the following obligations:

(I) to observe laws, administrative regulations and the Articles of Association;

(II) to pay capital contribution as per the shares subscribed for and the method of subscription;

(III) not to withdraw shares unless in the circumstances stipulated by laws and regulations;

(IV) not to abuse shareholder's right to harm the interests of the Company or other shareholders; not to abuse the Company's position as an independent legal person or shareholder's limited liability protection to harm the interests of the creditors of the Company;

(V) to fulfil other obligations stipulated by laws, administrative regulations and the Articles of Association.

If any shareholder of the Company abuses his/her shareholder's right, thereby causing any loss to the Company or other shareholders, the said shareholder shall be liable for compensation according to law.

If any shareholder of the Company abuses the Company's position as an independent legal person or shareholder's limited liability protection for the purpose of evading repayment of debts, thereby seriously damaging the interests of the creditors of the Company, the said shareholder shall bear joint and several liabilities for the Company's debts.

If any shareholder holding more than 5% voting shares of the Company pledges the said voting shares, the said shareholder shall submit a written report to the Company on the date on which the said pledge is executed.

The controlling shareholder(s), de facto controller(s), director(s), supervisor(s) and senior management(s) of the Company shall not use the connected relations to the detriment of the interests of the Company; otherwise, they shall be liable for compensation for any loss incurred to the Company.

The controlling shareholder(s) and de facto controller(s) of the Company shall perform fiduciary duty to the Company and general public shareholders thereof. The controlling shareholder(s) shall exercise capital contributors' rights in strict accordance with laws, shall not damage the legitimate rights and interests of the Company and general public shareholders by such means as profit distribution, asset reorganization, external investment, fund appropriation, loan and guarantee and shall not abuse their controlling status to damage the interests of the Company and general public shareholders.

Except the obligations required in laws, administrative regulations or listing rules of the stock exchange in the place where the stocks of the Company are [REDACTED], when the controlling shareholder of the Company exercises its power of shareholder, it shall not make any decision detrimental to the interests of all or some of shareholders on the following issues in order to exercise its voting right:

(I) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;

(II) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of other person(s)), in any manner, of the Company's assets, including (without limitation) any opportunity beneficial to the Company;

(III) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of other person(s)) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights save for a restructuring of the Company submitted to the general meeting for approval in accordance with the Articles of Association.

The General Meeting

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

(I) to decide on the Company's operational policies and investment plans;

(II) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(III) to consider and approve reports of the Board of Directors;

(IV) to consider and approve reports of the Board of Supervisors;

(V) to consider and approve the Company's annual financial budget and financial accounts;

(VI) to consider and approve the Company's proposals for profit distribution and for recovery of losses;

(VII) to decide on any increase or reduction in the Company's registered capital;

(VIII) to decide on the issue of bonds by the Company;

(IX) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the Company;

(X) to amend the Articles of Association of the Company;

(XI) to resolve on the Company's appointment, dismissal or non-renewal of accounting firms, as well as on matters of remuneration of the accounting firms;

(XII) to consider and approve the guarantees in accordance with the Articles of Association;

(XIII) to consider and approve the Company's purchase or disposal of major assets within one year with the aggregate transaction amount exceeding 30% of the latest audited total assets of the Company;

(XIV) to consider and approve major transactions and connected transactions required to be considered and approved by the shareholders' general meeting pursuant to laws, administrative regulations, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Association;

(XV) to consider and approve the change of [REDACTED];

(XVI) to consider and approve share incentive schemes and employee share ownership scheme;

(XVII) to consider other matters required to be resolved at the general meeting in accordance with laws, administrative regulations, departmental rules, normative documents, relevant requirements of securities regulator of the places where the shares of the Company are [REDACTED] and the Articles of Association.

Subject to the laws, regulations and mandatory provisions of the listing rules of the [REDACTED] place, the general meeting may authorize or entrust the Board of Directors to handle the matters authorized or entrusted by it.

Save and except that the Company is in the crisis and so on in the peculiar circumstance, the Company shall not, without the approval of a general meeting by special resolution, enter into any contract with any person other than a director, supervisor, general manager or other officer of the Company whereby the responsibility for the management of the whole or a substantial part of the business of the Company is delegated to such person.

General meetings are divided into annual general meetings and extraordinary general meetings. Annual general meetings shall be held once every year within six months after the end of previous financial year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date upon which the circumstance occurs:

(I) the number of directors falls short of the quorum stipulated in the Company Law or is less than two thirds of the number specified in the Articles of Association;

(II) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;;

(III) upon a written request by shareholder(s) that individually or collectively holding 10% or more of the Company's shares (actual numbers of shares shall be calculated as per the shareholdings of the requesting shareholders on the date when such a written request is made);

(IV) the Board deems necessary;

(V) the Board of Supervisors proposes to convene such meeting;

(VI) when over one-half of all the independent non-executive directors of the Company agree to hold the meeting;

(VII) other circumstances stipulated by laws, administrative regulations and the Articles of Association occur.

Proposal and Notice of Shareholders' General Meeting

Whenever the Company convenes the Shareholders' general meeting, the Board of Directors, the Board of Supervisors, as well as shareholders individually or jointly holding 3% or more of shares of the Company shall have the right to propose motions to the Company. The convenor shall include in the agenda of the meeting the issues raised in the proposals that fall within the scope of responsibility of the general meeting.

Shareholders individually or jointly holding 3% or more of shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receiving the proposals to disclose particulars of the provisional proposals.

Except as provided in the preceding paragraph, the convener shall not amend the proposals set out in the notice of the shareholders' general meeting or put up any new proposals after the issuance of the notice of the shareholders' general meeting.

When the Company convenes an annual general meeting, written notice of the meeting shall be given at least 21 days before the date of the meeting, and when the Company convenes an extraordinary general meeting, written notice of the meeting shall be given 15 days before the date of the meeting.

The period of the despatching of the notice shall exclude the date convening the meeting. Where relevant laws, regulations and the securities regulatory authorities of the jurisdiction where the shares of the Company are [REDACTED] stipulate otherwise, such provisions shall prevail.

Convening of Shareholders' General Meetings

A shareholders' general meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable or fails to discharge his/her duties, vice chairman of the Board of Directors shall preside over the meeting; if the vice chairman of the Board of Directors is unable or fails to discharge his/her duties, half or more of the directors shall designate a director to preside over the meeting.

If a shareholders' general meeting is convened by the Board of Supervisors, the chairman of the Board of Supervisors shall preside over the meeting. If the chairman of the Board of Supervisors is unable or fails to discharge his/her duties, half or more of the supervisors shall designate a supervisor to preside over the meeting.

If a shareholders' general meeting is convened by the shareholders themselves, the convener will nominate a representative to preside over the meeting.

When a shareholders' general meeting is convened, if the chairman of the meeting contravenes the Rules of Procedure, rendering the meeting impossible to proceed, with the consent from more than half of the attending shareholders with voting rights, one person may be nominated at the shareholders' general meeting to serve as the chairman and the meeting may proceed. Where the shareholders fail to elect a chairman for any reasons, the shareholder (including his proxy) present in person or by proxy who holds the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

Voting and Resolutions of Shareholders' General Meetings

Resolutions of the shareholders' general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the shareholders' general meeting shall be adopted by shareholders in attendance (including proxies) holding at least half of the voting rights.

Special resolutions of the shareholders' general meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

The following matters shall be adopted by ordinary resolution in the general meeting:

(I) the work reports of the Board of Directors and the Board of Supervisors;

(II) the profit distribution plans and plans for making up losses drafted by the Board of Directors;

(III) the appointment and dismissal and remuneration of the members of the Board of Directors and the Board of Supervisors and the method of payment of the remuneration;

(IV) annual budget programme, final accounts programme of the Company;

(V) the annual report of the Company;

(VI) matters other than those requiring the approval by way of special resolutions in accordance with the laws, administrative regulations, the listing rules of the stock exchange(s) where the Company's shares are [REDACTED] or the Articles of Association.

The following matters shall be adopted by special resolution at the shareholders' general meeting:

(I) the increase or reduction of the registered capital by the Company;

(II) the division, spin-off, merger, dissolution, liquidation of the Company;

(III) the amendment of these Articles of Association of the Company;

(IV) the Company's purchase or disposal of material assets within one year or the amount of guarantee individually or aggregately exceeding 30% of the latest audited total assets of the Company;

(V) equity incentive plans;

(VI) repurchase of shares of the Company;

(VII) other matters required by laws, administrative regulations, the listing rules of stock exchanges on which the Company's shares are [REDACTED] or these Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Company and should be adopted by special resolution.

When a shareholder (or a proxy) exercises his or her voting rights based on the number of voting shares which he or she represents, each share shall entitle him or her to one vote.

No voting rights shall attach to the Company's shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a general meeting.

Where any shareholder is, under applicable laws and regulations and the listing rules of the stock exchange where the Company's shares are [REDACTED], required to abstain from voting on any particular matter being considered or restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

DIRECTORS AND BOARD OF DIRECTORS

Directors

The directors shall be elected or replaced by the general meeting, and may further be removed from their office prior to the conclusion of the term thereof by the general meeting. The directors shall have a term of three years and may be re-elected at the expiration of the term of office.

The term of office of a director shall be calculated from the date when he takes office, until expiration of the term of office of the Board of the session. In case of failure to timely elect a director upon expiration of the director's term of office, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and rules from regulatory authorities and these Articles of Association until the re-elected directors assume their office.

Directors can be concurrently served by managers or other senior managers. However, the total number of directors who concurrently hold the positions of general manager or other senior management personnel and directors held by employee representatives shall not exceed one-half of the total number of directors of the company.

A director may resign before the expiry of his/her term of office. The resigning director shall submit to the Board of Directors a written resignation. Further details shall be disclosed by the Board of Directors within two days. In case that the number of directors falls below the quorum as a result of the resignation of a director, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and rules from regulatory authorities and the Articles of Association until the re-elected Directors assume their office.

Independent Non-Executive Directors

The Company shall establish an independent non-executive director system. The term "independent non-executive director of the Company" means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its substantial shareholder(s) (only provided under this Article that substantial shareholders are those shareholders individually or jointly holding more than 5% of total number of the Company's shares with voting rights) that could hinder his or her making independent and objective judgments, and who is in compliance with independence provisions of the listing rules in the place where the Company's shares are [REDACTED]. Independent non-executive directors shall account for more than one third of the members of the Board of the Company, at least one of whom shall be a financial or accounting professional and a person who is ordinarily resident in Hong Kong.

The term of office for independent non-executive directors shall be three years, and eligible to offer himself for re-election, but shall not exceed nine years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company's shares are [REDACTED].

If an independent non-executive director fails to meet the conditions of independence or other circumstance arises which makes it inappropriate for him or her to perform his or her duties and responsibilities as an independent non-executive director, thereby causing the failure of the Company to meet the requirements of these Articles of Association concerning the number of independent non-executive directors, the Company shall make up the number of independent non-executive directors in accordance with regulations.

Board

The Company shall have a Board which shall be accountable to the general meetings. The Board shall consist of seven to nine directors, including not less than three independent non-executive directors, which should represent at least a third of the Board.

The Board shall be accountable to the general meeting and perform the following duties and powers:

(I) to convene general meetings and report to general meetings;

(II) to implement resolutions of general meetings;

(III) to formulate medium and long-term strategic plans for the Company's development, and to monitor and adjust their implementation;

(IV) to determine the Company's business objectives, business plans and investment and financing programs;

(V) to prepare the annual financial budgets and final accounting plans of the Company;

(VI) to prepare the profit distribution plan and loss makeup plan of the Company;

(VII) to formulate proposals for the Company in respect of increase or reduction of registered capital, issue of bonds or other securities and the [REDACTED] thereof;

(VIII) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;

(IX) to determine, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions and external donations, etc.;

(X) to determine the establishment and staffing of the corresponding working organizations of the Board of Directors and the internal management organizations of the Company;

(XI) to decide on appointing or dismissing general manager, secretary to the Board and other senior management as well as their remunerations, rewards and penalties; to decide on appointing or dismissing senior management including vice general manager(s) and secretary to the Board of Directors and Chief Financial Officer of the Company in accordance with the nominations by general manager, and to decide on their remunerations and rewards and punishments;

(XII) to set up the basic management system of the Company;

(XIII) to formulate the proposals for any amendment to the Articles of Association;

(XIV) to manage information disclosure of the Company;

(XV) to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services to the Company;

(XVI) to listen to work reports of the general manager and review his work;

(XVII) to authorise the chairman of the Board of Directors and general manager of the Company to decide on major matters of the Company within the scope of the authority delegated to them;

(XVIII) to exercise other functions and powers conferred by laws, regulations and listing rules of the stock exchange where the Company's shares are [REDACTED], shareholders' general meetings and the Articles of Association.

The Board of Directors' resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of all the Directors.

The Board of Directors shall make explanation to the shareholders' general meeting in respect of auditors' report with a non-standard opinion issued by the certified public accountants regarding the financial statements of the Company.

The rules of procedures shall be formulated by the Board of Directors and approved by the general meeting.

The Board of Directors shall have one chairman and, as appropriate, a vice chairman, who shall be elected by the votes of more than one half of the members of the Board of Directors. The chairman and vice chairman of the Board of Directors shall be elected or removed by more than one half of all directors, and shall hold office for a term of three years, who is then eligible to offer himself or herself for re-election and re-appointment. The chairman of the Board of Directors shall exercise the following functions and powers:

(I) to preside over general meetings and to convene and preside over the board meetings;

(II) to monitor and check the general meetings and the implementation of the resolutions of the Board of Directors;

(III) to exercise other functions and powers conferred by the Board of Directors.

Meetings of the Board of Directors are divided into regular meetings and interim meetings. The Board of Directors shall hold at least two regular meetings each year. Meetings shall be convened by the Chairman of the Board.

The notice of board meeting shall be served to all directors, supervisors, the General Manager and the Secretary to the Board by means of hand, mail or facsimile 10 days before the date of the meeting (for regular meetings) or by means of written notice five days before the date of the meeting (for extraordinary meetings). If an extraordinary meeting of the Board of Directors needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral method, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes.

The Board meetings shall only be held when more than half of the directors attend the meeting. Resolutions adopted at the Board meeting must be approved by more than half of the directors.

The Board meetings shall be attended by the directors in person. If a director is unable to attend a meeting in person for any reason, such director may appoint, in writing, another director to attend the meeting on his/her behalf. The authority delegated shall be specified in the power of attorney. A director who attends the meeting on behalf of another director shall exercise the rights of the director within the delegated authority. If a director fails to attend a Board meeting in person, and has not appointed a representative to attend the meeting on his/her behalf, the director shall be deemed to have waived his/her rights to vote at the meeting.

Supervisors may attend meetings of the Board of Directors in a non-voting capacity. The General Manager and the Board of Directors, if they do not concurrently serve as directors, shall attend meetings of the Board of Directors in a non-voting capacity. When he or she deems it necessary, the meeting convener may notify other relevant persons to attend a meeting of the Board of Directors in a non-voting capacity.

Votes at on-site meetings of the Board of Directors (including meetings held by video conference) shall be held by disclosed ballot. If a director attends an on-site meeting by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he/she says and communicate with him/her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the Board of Directors, votings and resolutions may be adopted by means of correspondence which shall be signed by the directors in attendance, but a regular meeting of the Board of Directors, a meeting at which a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or collectively hold at least 10% of total shares with voting rights of the Company) or a director has a conflict of interest in a matter to be considered which the Board of Directors has determined to be material and a meeting held to discuss the appointment and dismissal of the secretary to the Board of the Company shall not be held by means of correspondence. A deadline shall be set for voting by means of correspondence, and if a director fails to express his/her opinion within the specified deadline, he/she shall be deemed to abstain.

When a director and the enterprises involved in the resolutions of the board meeting have connected relations, such director shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others directors. The meeting may be held if it is quorate by more than half of the unconnected directors. The resolutions of the board meeting shall be passed by more than half of unconnected directors. If the number of unconnected directors attending the board meeting is less than three, such matter shall be put forward to the general meeting for consideration.

The Board of Directors shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the directors and the recorder present at the meeting. Custody period of minutes shall be ten years. The directors shall be liable for the resolutions of the Board of Directors. If a resolution of the Board of Directors violates the laws, regulations or these Articles of Association and results in the Company sustaining serious losses, the directors participating in the resolution shall be liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection is recorded in the minutes of the meeting, such director may be released from such liability.

Special Committees under the Board

The Board of Directors shall set up special committees, namely, the strategy committee, the nomination committee, the audit committee, the remuneration committee and the assessment committee and other special committees that the Board deems necessary to establish. The special committees are fully composed of Directors, and in the audit committee, the nomination committee, the remuneration committee and the assessment committee, the independent Directors shall be in the majority and shall act as the convener. The convener of the audit committee shall be an accounting professional. The Board is responsible for formulating working rules, to standardize the operation of the special committees.

Secretary to the Board

The Company shall have a Secretary to the Board, who shall be engaged and dismissed by the Board of Directors. The Secretary to the Board shall be a member of the senior management members of the Company and be accountable to the Company and the Board of Directors

The Secretary to the Board shall be a natural person with the necessary professional knowledge and experience. He or she shall be appointed by the Board of Directors. His or her main duties shall be as set forth below:

(I) to prepare and deliver reports and documents issued by the Board of Directors and general meetings as required by competent authorities;

(II) to organize board meetings and general meetings, be responsible for recording of the meetings and keep meeting documents and records;

(III) to handle information disclosure of the Company;

(IV) to ensure that individuals who are entitled to obtain relevant records and documents may access to them in time;

(V) to perform other duties as stipulated in laws, regulations and these Articles of Association, and as required by security regulator of locality on which the Company's shares are [REDACTED].

General Manager and Other Senior Management Members

The Company shall have one general manager, who shall be nominated by the chairman of the Board of Directors and be appointed and dismissed by the Board of Directors. The Company shall have a number of deputy general managers, one secretary to the Board of Directors and one chief financial controller.

Each term of office of the general manager and the deputy general manager shall be three years and may be extended if he/she is reappointed.

Persons assuming administrative offices other than director and supervisor in the controlling shareholder of the Company shall not serve as senior officers of the Company.

The general manager shall be accountable to the Board of Directors and shall have the following responsibilities:

(I) to manage the production and operation of the Company, to implement the resolutions of the Board of Directors, and to report to the Board of Directors;

(II) to determine the annual business plan and investment plan of the Company;

(III) to determine the internal management organization of the Company;

(IV) determine the general management system of the Company;

(V) to determine the rules and regulations of the Company;

(VI) to propose the Board of Directors to appoint or dismiss vice general manager, chief financial officer, secretary of the Board and other senior management of the Company;

(VII) to responsible for handling the major emergencies of the Company;

(VIII) to decide and handle external affairs on behalf of the Company within the scope of the Board's authorisation;

(IX) to research and propose the Company's strategic plan and medium- and long-term development plan;

(X) to draft the plan of the Company's annual operation budgets, investment budgets and finance budgets;

(XI) other responsibilities conferred by these Articles of Association or the Board of Directors.

The general manager of the Company may attend the board meetings, but only the managing director has a voting right at the board meeting.

The general manager shall formulate the working rules of the general manager for the Board of Directors' approval before the implementation of such rules.

Board of Supervisors

Directors, the general manager and senior management members shall not serve concurrently as supervisors.

The term of office of a supervisor shall be three years. A supervisor may serve consecutive terms if re-elected.

The Company shall have a Board of Supervisors. The Board of Supervisors consists of three supervisors, including one employee representative Supervisor, who shall be elected democratically at employee representatives ' meetings of the Company or in other forms. The Board of Supervisors shall have one chairman. The chairman of the Board of Supervisors shall be elected by the votes of more than one half of the members of the Board of Supervisors.

The Board of Supervisors shall be accountable to the general meeting and shall exercise the following functions and powers according to law:

(I) reviewing the regular reports of the Company prepared by the Board of Directors and submit its written opinions thereon;

(II) examining the financial matters of the Company;

(III) supervising the performance of the directors and senior management and proposing the removal of directors or senior management who violate the laws, administrative regulations or these Articles of Association or resolutions of shareholders' general meeting;

(IV) demanding remedial action of a director or senior management member if the act of such director, the general manager and senior management member is detrimental to the interest of the Company;

(V) proposing the holding of extraordinary general meetings and, in the event that the Board of Directors fails to convene and preside over a general meeting in accordance with the Company Law, to convene and preside over such a meeting in accordance with the law;

(VI) proposing motions to shareholders' general meetings;

(VII) suing directors or senior management members in accordance with the Article 151 of the Company Law;

(VIII) conducting an investigation and, if necessary, engaging professional organizations, such as accounting firms and law firms, to assist if irregularities in the operation of the Company is found;

All reasonable expenses incurred in respect of the employment of professionals such as lawyers, registered accountants and practising auditors as required by the Board of Supervisors in the discharge of its duties shall be borne by the Company.

At least one meeting of the Board of Supervisors shall be held every six months, the chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the chairman is unable or fails to perform his/her duties, a supervisor selected by over half of the supervisors shall convene and preside over the meeting.

The Board of Supervisors shall formulate the rules of procedure for the Board of Supervisors meetings regarding the procedures for discussion and voting, so as to ensure that the Board of Supervisors can make reasonable decisions efficiently.

Votes at meetings of the Board of Supervisors shall be held by disclosed ballot and each supervisor shall have one vote. The resolution of the chairman of the Board of Supervisors shall be subject to the approval of over half of its members by voting.

The Board of Supervisors shall maintain minutes of the meetings so as to record the decisions on the matters considered. Participating supervisors shall initiate the minutes for confirmation. Any supervisor who has different opinions on the meeting minutes may make written explanation when signing the minutes.

The minutes of meetings of the Board of Supervisors, together with the meeting notice, meeting materials, meeting sign-in register, the instruments of appointment of supervisor proxies, the sound recording of the meeting and the vote ballots shall serve as the Company's files and be kept by the office of the Board of Supervisors for a period of not less than ten years

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Our Company shall establish its financial and accounting system and internal audit system in accordance with the laws, administrative regulations, and the rules stipulated by relevant authorities.

The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be audited by an accounting firm in accordance with the law.

The Company shall publish 2 financial reports each fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year.

The Board of the Company shall place before the shareholders at every annual general meeting such financial reports as required by any laws to be prepared by the Company.

The financial reports of the Company shall be made available for inspection by shareholders twenty-one days prior to an annual general meeting. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this chapter.

The Company shall deliver the reports mentioned in the preceding paragraph to each holder of overseas [REDACTED] foreign shares by pre-paid mail at least twenty-one days before the convening of the annual general meeting. The address of the recipient shall be the registered address as shown on the register of members. Subject to the obligations imposed by laws, administrative regulations or required by the listing rules of the place on which the Company's shares are [REDACTED], the notice of the meeting may also be given by way of public announcement (including publishing on the website of the Company).

The Company shall not maintain a separate accounts book except the one required by law. The assets of the Company shall not be deposited in any account opened under a personal name.

The Company shall, when distributing the post-tax profit of a fiscal year, extract 10% of the profit to list it in the statutory reserves of the Company. The Company may not further extract the statutory reserves when its accumulative amount represents 50% or more of the registered capital of the Company.

When the statutory reserves of the Company falls short to offset the loss of prior years, the Company shall use the profit earned during the year to offset the loss before extracting the statutory reserves according to the previous paragraph.

After extracting the statutory reserves out of the post-tax profit, the Company may, subject to the resolution of the general meeting, extract the discretionary reserve out of the post-tax profit.

As for the remaining after-tax profits after the Company has covered loss and has extracted statutory reserves, shareholders shall be allocated pursuant to the ratio of the shareholding of the shareholders, except for those allocations not pursuant to the ratio of the shareholding as provided by the Articles of Association.

If the shareholders' general meeting breaches the preceding paragraph by distributing the profit to the shareholders before the loss recovery and accrual of the statutory reserves, the shareholders shall return to the Company the profit distributed in violation of the law.

The company shares held by the Company shall not participate in the profit distribution.

The reserves of the Company are used to offset the losses of the Company, expand business scale or bolster registered capital. Nevertheless, the capital reserves will not be used to cover the losses of the Company.

When the statutory reserve is converted into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital of the Company before the conversion.

The Company shall appoint a receiving agent for holders of overseas-[REDACTED] foreign shares. The receiving agent shall receive on behalf of such shareholders any dividends or other amounts payable by the Company to them in respect of the overseas-[REDACTED] foreign shares, and such payment shall be kept by the receiving agent on such shareholders' behalf for any payment to them.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place where the Company's shares are [REDACTED] or the relevant regulations of the stock exchange.

The receiving agents appointed by the Company for holders of foreign shares [REDACTED] on the SEHK shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the general meeting of the Company makes a resolution on profit distribution plan, the Board of the Company shall complete distribution of dividend (or share) within two months after such general meeting.

The cash dividends and other amounts paid by the Company to its shareholders of Domestic Shares shall be distributed in form of Renminbi. The cash dividends and other amounts paid by the Company to holders of overseas-[REDACTED] foreign shares shall be denominated and declared in Renminbi and paid in foreign currency. The foreign currency for the cash dividends and other payments by the Company to holders of overseas [REDACTED] foreign shares and other holders of foreign shares shall be handled in accordance with state regulations on foreign exchange control.

When distributing dividends to shareholders, the Company shall deduct and withhold the tax payable on the dividend income on behalf of individual shareholders in accordance with the tax laws of the PRC.

The Company shall have an internal audit system, arrange special auditors, and conduct the internal audit supervision of the financial incomes and expenditures and economic activities of the Company.

The internal audit system of the Company and the responsibilities of auditors shall be implemented upon the approval of the Board. The principal of the audit department shall be responsible and report to the Board.

Engagement of Accounting Firms

The Company shall engage an accounting firm which complies with the requirements of the Securities Law to audit the financial statements, net assets verification and other relevant consultancy services. The term of office of an accounting firm appointed by the Company shall be one year subject to renewal.

The engagement of an accounting firm by the Company shall be decided by the general meeting, and the Board shall not engage an accounting firm before any resolution made by the general meeting.

The Company ensures that it will provide true and complete accounting vouchers, accounting books, financial and accounting report and other accounting materials to the engaged accounting firm, without any refusal, concealment or misrepresentation.

The auditing fee of an accounting firm shall be determined by the general meeting.

The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved by the general meeting.

Prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. Such accounting firm shall be entitled to make representations at the relevant general meeting. Where the accounting firm resigns its post, it shall make clear to the general meeting whether there is any impropriety on the part of the Company.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION OF THE COMPANY

Merger, Division, Capital Increase and Capital Reduction

The merger of the Company may take the form of either merger by absorption or a new consolidation. Under a merger by absorption, a company absorbs another company and the absorbed company is dissolved. Under a merger by new consolidation, two or more companies merge into a newly established company and all parties to the merger are dissolved.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten days from the date of the Company's resolution on merger and shall make an announcement in the newspaper designated by the CSRC, on its website and on the website of the stock exchange within thirty days from the date of the Company's resolution on merger. Creditors may, within thirty days after receipt of such notice from the Company, or within forty-five days from the date of the announcement for those who do not receive such notice, to demand that the Company repay their debts to that creditor or provide a corresponding guarantee for such debts.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to the company surviving the merger or the new company established subsequent to the merger.

If the Company is divided, its property shall be divided accordingly. When the Company is divided, it shall prepare a balance sheet and a property list. Within 10 days from the date of adoption of the resolution on the division, the Company shall notify its creditors and within 30 days it shall make an announcement in the newspapers designated by the CSRC, on its website and on the website of the stock exchange.

The surviving companies shall be jointly liable for the pre-division debts of the Company, unless provided otherwise in a written agreement on debt repayment reached between the Company and a creditor prior to the division.

The Company shall prepare a balance sheet and an inventory of property when it needs to reduce its registered capital.

The Company shall notify the creditors within 10 days from the date of making the resolution to reduce the registered capital, and make an announcement within 30 days. The creditors may require the Company to repay debts or to provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors have not received the notice.

The registered capital of the Company after the capital reduction shall not be lower than the statutory minimum.

Changes in registered particulars arising from a merger or division of the Company shall be registered with the companies registration authority according to the law. If the Company is dissolved, it shall be deregistered according to the law. If a new company is established, such establishment shall be registered according to the law. Increase or decrease of the registered capital of the Company shall be registered with the companies registration authority according to the law.

Dissolution and Liquidation

The Company may be dissolved for the following reasons:

(I) the term of operation stipulated in the Articles of Association has expired or circumstances for dissolution specified in the Articles of Association arises;

(II) a resolution for dissolution is passed at a general meeting;

(III) merger or division of the Company entails dissolution;

(IV) the business license is revoked or the Company is ordered to close down or be deregistered according to the law;

(V) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of all shareholders of the Company may request the people's court to dissolve the Company.

In the circumstance set out in item (I) above, the Company may continue to subsist by amending the Articles of Association.

Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of more than two-thirds of the voting rights held by the shareholders attending the general meeting.

If the Company is dissolved pursuant to items (I), (II), (IV) and (V) as mentioned above, it shall establish a liquidation committee within fifteen days after the circumstance for dissolution arises. The liquidation committee shall consist of members determined by the directors or the general meeting. If the Company fails to set up the liquidation committee within the period, the creditors may apply to the people's court for appointment of relevant persons to form a liquidation committee and carry out liquidation.

The liquidation committee shall notify creditors within 10 days after its establishment and within 60 days make a public announcement in a newspaper. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after the announcement if the creditors have not received the notice. When declaring the claims, the creditors shall explain matters relating to their rights and provide relevant evidential documents. The liquidation committee shall register the creditor's rights.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

The liquidation committee shall exercise the following powers during the liquidation period:

(I) to sort out the assets of the Company and prepare the balance sheet and an inventory of property;

(II) to inform creditors by notice or announcement;

(III) to deal with the outstanding affairs of the Company in relation to liquidation;

(IV) to pay off outstanding taxes as well as taxes arising in the course of liquidation;

(V) to settle claims and debts;

(VI) to dispose of the remaining assets of the Company after repayment of debts;

(VII) to represent the Company in civil proceedings.

After the liquidation committee has sorted out the assets of the Company and prepared a balance sheet and an inventory of property, it shall formulate a liquidation plan and submit the same to the general meeting or the people's court for confirmation.

The Company shall, according to the proportion of the shares held by the shareholders, distribute the properties of the Company remaining after payment of the liquidation expenses, employees' salaries, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

The Company shall subsist in the course of liquidation but shall not conduct any business operations unrelated to liquidation. Before liquidation as specified in the preceding paragraphs, the properties of the Company shall not be distributed to shareholders.

Upon liquidation of the Company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy according to laws. After the people's court has made a declaration of bankruptcy in respect of the Company, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period. After verification of the Chinese certified public accountants, it shall submit the same to the general meeting or the people's court for confirmation, and shall, within 30 days after obtaining confirmation from the general meeting or the people's court, submit the aforesaid documents to the companies registration authority, and apply to cancel the registration of the Company and announce the termination of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company may amend its Articles of Association in accordance with the laws, administrative regulations and the Articles of Association.

The Company shall amend the Articles of Association in any of the following circumstances:

(I) after amendments are made to the Company Law, the Listing Rules of the Hong Kong Stock Exchange or other relevant laws and administrative regulations, the Articles of Association are contrary to the said amendments;

(II) the conditions of the Company have changed and are not consistent with the matters recorded in the Articles of Association;

(III) the general meeting has resolved to amend the Articles of Association.

Except as otherwise provided in the Articles of Association, the Articles of Association shall be amended by the following procedure:

(I) the Board adopts a resolution in accordance with the Articles of Association and drafts the amendments, or a shareholder puts forward a resolution to amend the Articles of Association;

(II) the shareholders are notified of the amendments and a general meeting is convened to vote thereon;

(III) the amendments submitted to the general meeting for a vote shall be adopted by a special resolution.

The Board shall revise the Articles of Association in accordance with the resolution of the shareholders' general meeting regarding the revision of the Articles of Association and the approval opinion from the competent authorities.

NOTICES AND ANNOUNCEMENTS

Notices (for the purposes of this chapter, the term "notice" includes company communications and other written materials) of the Company shall be given or provided by one or more of the following means:

(I) by hand;

(II) by mail;

(III) by such electronic means as e-mail, fax, etc. or on information media;

(IV) by way of a public announcement;

(V) other manners as recognized by securities regulatory authorities at the place where the Company's shares are [REDACTED] or as provided in the Articles of Association.

Unless otherwise specified in the Articles of Association, if a notice is issued by the Company to the holders of overseas-[REDACTED] foreign shares by way of announcement, the Company shall on the same day submit an electronic version of such announcement to the SEHK through the electronic publishing system of the SEHK for immediate release on the website of the SEHK in accordance with the requirements of the local listing rules. Such announcement shall also be published on the website of the Company at the same time. In addition, the notice shall be delivered to each of the registered addresses as set forth in the register of holders of overseas-[REDACTED] foreign shares by way of personal delivery or pre-paid mail so as to give the shareholders sufficient notice and time to exercise their rights or take any action in accordance with the terms of the notice.

Holders of the Company's overseas-[REDACTED] foreign shares may elect in writing to receive corporate communication that the Company is required to deliver to shareholders either by electronic means or by post, and may also elect to receive either the Chinese or English version only, or both the Chinese and English versions. Such holders shall have the right to change their choices as to the manner of receiving and the language versions of the aforesaid information by giving a written notice to the Company in advance within a reasonable period in accordance with applicable procedures.

If the listing rules in the place of listing require the Company to send, mail, dispatch, issue, publish or otherwise provide relevant company documents in both English and Chinese versions, the Company may, to the extent permitted by laws and regulations and in accordance with applicable laws and regulations, (if a shareholder has so indicated) only send him or her the English versions or Chinese versions of documents if the Company has made appropriate arrangements to ascertain whether its shareholders wish to only receive English versions or Chinese versions of documents.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established in the PRC on September 8, 2000 and was converted to a joint stock limited company on June 29, 2018.

As of the date of this document, our Company's registered office is located at No. 15 Ziyuan Road, Huayuan Industrial Zone, Binhai Hi-Tech District, Tianjin, PRC. Our Company has established a principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 29, 2023 with the Registrar of Companies in Hong Kong. Ms. Yu Wing Sze (余詠詩), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix VI — Summary of Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix V — Summary of Principal Laws and Regulations".

2. Changes in Share Capital of Our Company

As of the date of our establishment, our registered share capital was RMB500,000 divided into 500,000 Shares with a nominal value of RMB1.00 each. On June 29, 2018, our Company was converted into a joint stock company with limited liability and our registered capital was RMB224,900,000 with a nominal value of RMB1.00 each.

Pursuant to the general meeting of our Company convened and held on August 15, 2022, our then Shareholders resolved to increase our registered capital by RMB4,166,666. A capital increase agreement was entered into on the same date by and among our Company, CITIC Securities Investment, Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin and Ms. Wang Na, pursuant to which, CITIC Securities Investment agreed to subscribe for the increased registered capital of RMB4,166,666 in cash at RMB12 per Share. As a result of such subscription, our registered capital increased from RMB224,900,000 to RMB229,066,666 and such increase in share capital was registered in August 2022.

Upon completion of the [REDACTED] and conversion of [REDACTED] Shares into [REDACTED], without taking into account any [REDACTED] which may be issued pursuant to the [REDACTED], our registered share capital will be increased to RMB[REDACTED], comprising [REDACTED] [REDACTED] Shares and [REDACTED] [REDACTED], representing [REDACTED] and [REDACTED] of our registered capital, respectively.

For further details, see "History, Development and Corporate Structure" and "Share Capital" of this document. Save as disclosed in the "History, Development and Corporate Structure" in this document and above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Subsidiaries of our Company and Changes in Share Capital of Our Subsidiaries

Certain details of our subsidiaries are set out in "History, Development and Corporate Structure — Our Subsidiaries" and in the accountants' report as set out in Appendix I to this document. Save for the subsidiaries mentioned in note 45A of the accountants' report set out in Appendix I to this document, our Company has no other subsidiary.

There has been no alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this document.

4. Shareholders' Resolutions

In accordance with the Shareholders' resolutions of our Company dated September 20, 2023, among other things, the following resolutions were passed by the Shareholders:

(a) the issue by our Company of [REDACTED] of nominal value of RMB1.00 each and such [REDACTED] be [REDACTED] on the Stock Exchange;

(b) the total number of [REDACTED] to be issued pursuant to the [REDACTED] shall be no more than 25% of the total issued share capital of the Company (before the exercise of the [REDACTED]) after the [REDACTED];

(c) subject CSRC's approval, upon completion of the [REDACTED], [REDACTED] [REDACTED] Shares held by certain existing Shareholders will be converted into [REDACTED];

(d) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on [REDACTED], and the Board and its authorized persons has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities; and

(e) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the [REDACTED], the issue and listing of the [REDACTED].

5. Reorganization

Our Company has not gone through any corporate reorganization for the purpose of the [REDACTED]. For details of history and development of our Company, see "History, Development and Corporate Structure" in this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this document that are or may be material, and a copy of each [has been delivered] to the Registrar of Companies in Hong Kong for registration:

(a) a supplemental agreement (II) to the Capital Increase Agreement entered into on November 30, 2022 by and among our Company, CITIC Securities Investment, Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin and Ms. Wang Na, pursuant to which, among others, CITIC Securities Investment agreed to terminate certain of its special rights;

(b) a supplemental agreement (III) to the Capital Increase Agreement entered into on September 26, 2023 by and among our Company, CITIC Securities Investment, Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin and Ms. Wang Na, pursuant to which, among others, CITIC Securities Investment agreed to terminate certain of its special rights;

(c) a non-competition agreement entered into on [REDACTED] by and among our Company, Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Mr. Wang Guoxin, Ms. Wang Na, Jinmeng Partnership, Jinyuan Partnership, Jinlong Partnership and Tianjin Yuanjinmeng, details of which are included in the section headed "Relationship with Our Controlling Shareholders" in this document; and

(d) the [REDACTED].

2. Our Intellectual Property Rights

(a) *Trademarks*

(i) *Registered Trademarks*

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Expiry Date
1	梦金园	PRC	3441121	Shandong Mokingran	14	August 27, 2034
2		PRC	4254323	Shandong Mokingran	14	October 20, 2027
3	MOKINGRAN	PRC	5169279	Shandong Mokingran	14	May 27, 2029
4	亿纯	PRC	7408053	Shandong Mokingran	14	August 27, 2030
5	梦金园万纯	PRC	11261552	Shandong Mokingran	14	December 20, 2033
6	亿纯	PRC	18477016	Shandong Mokingran	14	January 6, 2027
7	亿纯	PRC	18479927	Shandong Mokingran	35	January 6, 2027
8	梦金园	PRC	18620902	Shandong Mokingran	14	January 20, 2027
9	MOKINGRAN	PRC	18621273	Shandong Mokingran	14	January 20, 2027
10	[illegible]	PRC	21140167	Shandong Mokingran	14	October 27, 2027
11	亿纯	PRC	22051496	Shandong Mokingran	35	January 13, 2028
12	圆梦金	PRC	44580172	Shandong Mokingran	14	November 27, 2030
13	梦金园亿纯	PRC	66075986	Shandong Mokingran	14	February 20, 2033
14	梦金园亿纯	PRC	66070837	Shandong Mokingran	35	January 20, 2033
15	亿福	PRC	3748015	Shandong Yifu	14	November 13, 2025
16		PRC	3760540	Shandong Yifu	14	December 20, 2025
17	VFOOK	PRC	5169269	Shandong Yifu	14	May 27, 2029
18	亿福	PRC	18029779	Shandong Yifu	35	November 13, 2026
19	亿福	PRC	66820535	Shandong Yifu	35	May 6, 2033
20	VVSD	PRC	14004975	Changle Chengxin	14	April 13, 2025

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Expiry Date
21	VVSD 唯唯爱斯迪	PRC	14273838	Changle Chengxin	35	May 6, 2025
22	VVSD	PRC	16118231	Changle Chengxin	14	March 13, 2026
23	VVSD 唯唯艾斯迪	PRC	16326452	Changle Chengxin	35	March 27, 2026
24	VVSD 唯唯艾斯迪	PRC	16326475	Changle Chengxin	14	March 27, 2026
25	VVSD	PRC	24368889	Changle Chengxin	35	May 20, 2028
26	祈祥·古法	PRC	55529315	Changle Chengxin	14	November 20, 2031
27	祈祥	PRC	63908335	Changle Chengxin	14	October 6, 2032
28	祈祥	PRC	63907947	Changle Chengxin	35	October 6, 2032
29	梦金园 MOKINGRAN	Hong Kong	306302024	Hong Kong Mokingran	14, 35	July 23, 2033

(b) ***Patents***

(i) *Registered Patents*

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
1	(A gold jewellery welding method) ("一種黃金飾品焊接方法")	Shandong Mokingran	Invention	200810139385.4	August 28, 2008	August 28, 2028
2.	Bead string nailing machine ("珠串釘砂機")	Shandong Mokingran	Invention	201010177060.2	May 10, 2010	May 9, 2030

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
3.	Jewellery beading machine ("首飾打珠機")	Shandong Mokingran	Invention	200910016919.9	June 24, 2009	June 23, 2029
4.	Semi-circular jewellery former ("半圓端頭首飾成型機")	Shandong Mokingran	Invention	201010273643.5	August 30, 2010	August 29, 2030
5.	Cross-shaped gold wire tablet press ("十字形金線壓片機")	Shandong Mokingran	Invention	201010273668.5	August 30, 2010	August 29, 2030
6.	Thin-wall gold tube rolling former ("薄壁金管滾壓成型機")	Shandong Mokingran	Invention	201010168169.X	April 30, 2010	April 29, 2030
7.	Flower-shaped twisted sheet former ("花形扭片成型機")	Shandong Mokingran	Invention	201010273649.2	August 30, 2010	August 29, 2030
8.	Thin-wall gold tube automatic shrinking machine ("薄壁金管自動縮口機")	Shandong Mokingran	Invention	201410097150.9	March 15, 2014	March 14, 2034
9.	Automatic engraving method based on manual operation ("基於手工操作的自動刻花方法")	Shandong Mokingran, Shandong Yifu and Shenzhen Mokingran	Invention	ZL201711048426.4	October 31, 2017	October 30, 2037
10.	Automatic engraving equipment based on manual operation ("基於手工操作的自動刻花設備")	Shandong Mokingran, Shandong Yifu and Shenzhen Mokingran	Invention	ZL201711045721.4	October 31, 2017	October 30, 2037
11.	Automatic pricing method and automatic pricing system for gold jewellery ("金飾自動計價方法及自動計價系統")	Shandong Mokingran	Invention	ZL201810892474.X	August 7, 2018	August 6, 2038

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
12.	A multi-blade automatic engraving machine ("一種多刀頭自動刻花機")	Shandong Mokingran	Utility model	201721426572.1	October 31, 2017	October 30, 2027
13.	A processing device for decorative chain pattern ("一種裝飾鏈花紋加工裝置")	Shandong Mokingran, Shandong Yifu and Shenzhen Mokingran	Utility model	201721564995.X	November 21, 2017	November 20, 2027
14.	A machine tool for processing patterns on the surface of decorative chains ("一種用於在裝飾鏈表面加工花紋的機床")	Shandong Mokingran, Shandong Yifu and Shenzhen Mokingran	Utility model	201721564994.5	November 21, 2017	November 20, 2027
15.	An electric hammer chain machine ("一種電動錘鏈機")	Shandong Mokingran	Utility model	201820894391.X	June 8, 2018	June 7, 2028
16.	A chain double-sided sewing machine ("一種鏈條雙面車花機")	Shandong Mokingran	Utility model	201820963367.7	June 21, 2018	June 20, 2028
17.	A semi-automatic metal marking equipment ("一種半自動金屬刻印設備")	Shandong Mokingran	Utility model	201821038175.1	June 29, 2018	June 28, 2028
18.	An automatic twisting machine ("一種自動扭麻花機")	Shandong Mokingran	Utility model	201820866591.4	June 5, 2018	June 4, 2028
19.	A hammer chain machine of cam structure ("一種凸輪結構錘鏈機")	Shandong Mokingran	Utility model	201820963360.5	June 21, 2018	June 20, 2028
20.	A kind of automatic circle forming cutting and welding device("一種自動圓環成型裁剪焊接裝置")	Shandong Mokingran	Utility model	201821740885.9	October 25, 2018	October 24, 2028

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
21.	Automatic four-axis metal bead string engraving machine("全自動四軸金屬珠串刻花機")	Shandong Yifu	Invention	ZL201110196549.9	July 14, 2011	July 13, 2031
22.	Automatic metal bead string engraving machine("全自動金屬珠串刻花機")	Shandong Yifu	Invention	ZL201110196642.X	July 14, 2011	July 13, 2031
23.	Automatic forming device for half ring lug jewellery("半環吊耳首飾自動成型裝置")	Shandong Yifu	Invention	ZL201310066087.8	March 1, 2013	February 28, 2033
24.	Automatic grasping and reversing robot for jewellery chain bead ("首飾鏈珠自動抓取反轉機械手")	Shandong Yifu	Invention	ZL201310066964.1	March 1, 2013	February 28, 2033
25.	Equipment for making chainrings with lugs at both ends ("兩端帶有吊耳的鏈環製作設備")	Shandong Yifu	Invention	ZL201310066051.X	March 1, 2013	February 28, 2033
26.	Hydrangea engraving machine ("綉球刻花機")	Shandong Yifu	Utility model	201721213909.0	September 21, 2017	September 20, 2027
27.	A kind of spring clasp ("一種彈簧釦")	Shandong Yifu	Utility model	202121605595.5	July 14, 2021	July 13, 2031
28.	Jewellery Clasp (2020090205)	Shandong Yifu	Appearances	202030512512.2	September 2, 2020	September 1, 2030
29.	Jewellery Clasp (2020090201)	Shandong Yifu	Appearances	202030512920.8	September 2, 2020	September 1, 2030
30.	Jewellery Clasp (2020090204)	Shandong Yifu	Appearances	202030512946.2	September 2, 2020	September 1, 2030

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
31.	Jewellery Clasp (2020090203)	Shandong Yifu	Appearances	202030512500.X	September 2, 2020	September 1, 2030
32.	Jewellery Clasp (2020090202)	Shandong Yifu	Appearances	202030512502.9	September 2, 2020	September 1, 2030
33.	Spring Jewellery Clasp (1)	Shandong Yifu	Appearances	202230576784.8	August 31, 2022	August 30, 2037
34.	Spring Jewellery Clasp (2)	Shandong Yifu	Appearances	202230573568.8	August 31, 2022	August 30, 2037
35.	Spring Jewellery Clasp (3)	Shandong Yifu	Appearances	202230573607.4	August 31, 2022	August 30, 2037
36.	Spring Jewellery Clasp (4)	Shandong Yifu	Appearances	202230576821.5	August 31, 2022	August 30, 2037
37.	Spring Jewellery Clasp (5)	Shandong Yifu	Appearances	202230573560.1	August 31, 2022	August 30, 2037
38.	Spring Jewellery Clasp (6)	Shandong Yifu	Appearances	202230573589.X	August 31, 2022	August 30, 2037
39.	Spring Jewellery Clasp (7)	Shandong Yifu	Appearances	202230576767.4	August 31, 2022	August 30, 2037
40.	Spring Jewellery Clasp (8)	Shandong Yifu	Appearances	202230576802.2	August 31, 2022	August 30, 2037
41.	Spring Jewellery Clasp (9)	Shandong Yifu	Appearances	202230573573.9	August 31, 2022	August 30, 2037
42.	Spring Jewellery Clasp (10)	Shandong Yifu	Appearances	202230576783.3	August 31, 2022	August 30, 2037
43.	Spring Jewellery Clasp (11)	Shandong Yifu	Appearances	202230574275.1	August 31, 2022	August 30, 2037
44.	Spring Jewellery Clasp (12)	Shandong Yifu	Appearances	202230576807.5	August 31, 2022	August 30, 2037
45.	Spring Jewellery Clasp (13)	Shandong Yifu	Appearances	202230573582.8	August 31, 2022	August 30, 2037
46.	Spring Jewellery Clasp (14)	Shandong Yifu	Appearances	202230576803.7	August 31, 2022	August 30, 2037

No.	Patent Name	Patentee	Patent Type	Patent Number	Application/ Approval Date	Expiry Date
47.	Spring Jewellery Clasp (15)	Shandong Yifu	Appearances	202230573602.1	August 31, 2022	August 30, 2037
48.	Spring Jewellery Clasp (16)	Shandong Yifu	Appearances	202230576780.X	August 31, 2022	August 30, 2037
49.	Spring Jewellery Clasp (17)	Shandong Yifu	Appearances	202230573586.6	August 31, 2022	August 30, 2037
50.	Spring Jewellery Clasp (18)	Shandong Yifu	Appearances	202230576777.8	August 31, 2022	August 30, 2037
51.	A kind of bangles clasp forming and cutting integrated machine (一種手鐲扣成型裁剪一體機)	Changle Chengxin	Utility model	201821950977.x	November 23, 2018	November 22, 2028

(c) *Copyrights*

As of the Latest Practicable Date, we have registered the following copyright that we consider to be or may be material to our business:

No.	Name	Registered Owner	Registration Number	Registration Date
1	More pure, more love ("金純情更濃")	Shandong Mokingran	國作登字-2015-F-00204318	June 2, 2015
2.	Mokingran Gold Jewellery ID Card ("夢金園金飾身份證")	Shandong Mokingran	國作登字-2015-F-00204321	June 2, 2015
3.	Trade-in Week Logo ("換款周標識")	Shandong Mokingran	國作登字-2015-F-00204314	June 2, 2015
4.	MOKINGRAN	Shandong Mokingran	國作登字-2015-F-00204316	June 2, 2015
5.	Mokingran Gold Art ("夢金園金藝")	Shandong Mokingran	國作登字-2015-F-00204322	June 2, 2015
6.	Mokingran Seal ("夢金園印")	Shandong Mokingran	國作登字-2015-F-00204871	June 2, 2015
7.	More Shine, More Charming ("越閃耀越女人")	Shandong Mokingran	國作登字-2015-F-00204872	June 2, 2015
8.	Mokingran Horizontal Signboard ("夢金園橫向門頭")	Shandong Mokingran	國作登字-2018-J-00665974	November 15, 2018
9.	Mokingran Shopping Mall Signboard ("夢金園商場店門頭")	Shandong Mokingran	國作登字-2018-J-00665973	November 15, 2018

No.	Name	Registered Owner	Registration Number	Registration Date
10.	Mokingran Standard Signboard ("夢金園標準門頭")	Shandong Mokingran	國作登字-2018-J-00665972	November 15, 2018
11.	Repair Desk Glass Screen + Mokingran Logo ("維修台玻璃屏風+夢金園標志")	Shandong Mokingran	國作登字-2018-J-00665969	November 15, 2018
12.	Mokingran Logo Image Wall ("夢金園Logo形象墻")	Shandong Mokingran	國作登字-2018-J-00665967	November 15, 2018
13.	Auspice, pray for good luck ("祈祥.吉兆")	Shandong Mokingran	國作登字-2021-F-00180497	August 9, 2021
14.	Ancient style, pray for good luck ("祈祥.古法")	Shandong Mokingran	國作登字-2021-F-00180498	August 9, 2021
15.	Standard Image Wall ("標準形象墻")	Shandong Mokingran	國作登字-2022-F-10175596	August 24, 2022
16.	Signboard & Lintel ("門頭、吊楣")	Shandong Mokingran	國作登字-2022-F-10175601	August 24, 2022
17.	Ceiling Moulding ("吊頂造型")	Shandong Mokingran	國作登字-2022-F-10175598	August 24, 2022
18.	Wall Combinations ("墻面組合")	Shandong Mokingran	國作登字-2022-F-10175597	August 24, 2022
19.	Wall Design ("造型墻面")	Shandong Mokingran	國作登字-2022-F-10175602	August 24, 2022
20.	Dreaming in the Clouds ("夢在雲端")	Shandong Mokingran	魯作登字-2023-F-00133242	May 29, 2023
21.	Bathed in Sunshine ("向陽")	Shandong Mokingran	魯作登字-2023-F-00133244	May 29, 2023
22.	Mokingran -Chinese Crafting Expert in High-Purity Gold Jewellery ("夢金園-中國高純度精工金飾專家")	Shandong Mokingran	魯作登字-2023-A-00158487	June 14, 2023
23.	Largest Gold Ring ("最大的金戒指")	Shandong Mokingran	魯作登字-2023-F-00156502	June 13, 2023
24.	Nine Dragon Wall Inlaid with Filigree ("花絲九龍壁")	Shandong Mokingran	魯作登字-2023-F-00156513	June 13, 2023
25.	Dream Builder ("築夢")	Shandong Mokingran	魯作登字-2023-F-00156526	June 13, 2023
26.	Spring Jewellery Clasp (1)	Shandong Yifu	魯作登字-2023-F-00167604	June 20, 2023
27.	Spring Jewellery Clasp (2)	Shandong Yifu	魯作登字-2023-F-00167617	June 20, 2023
28.	Spring Jewellery Clasp (3)	Shandong Yifu	魯作登字-2023-F-00167623	June 20, 2023
29.	Spring Jewellery Clasp (4)	Shandong Yifu	魯作登字-2023-F-00167637	June 20, 2023

No.	Name	Registered Owner	Registration Number	Registration Date
30.	Spring Jewellery Clasp (5)	Shandong Yifu	鲁作登字-2023-F-00167642	June 20, 2023
31.	Spring Jewellery Clasp (6)	Shandong Yifu	鲁作登字-2023-F-00167650	June 20, 2023
32.	Spring Jewellery Clasp (7)	Shandong Yifu	鲁作登字-2023-F-00167658	June 20, 2023
33.	Spring Jewellery Clasp (8)	Shandong Yifu	鲁作登字-2023-F-00167661	June 20, 2023
34.	Spring Jewellery Clasp (9)	Shandong Yifu	鲁作登字-2023-F-00167668	June 20, 2023
35.	Spring Jewellery Clasp (10)	Shandong Yifu	鲁作登字-2023-F-00167675	June 20, 2023
36.	Spring Jewellery Clasp (11)	Shandong Yifu	鲁作登字-2023-F-00167683	June 20, 2023
37.	Spring Jewellery Clasp (12)	Shandong Yifu	鲁作登字-2023-F-00167686	June 20, 2023
38.	Spring Jewellery Clasp (13)	Shandong Yifu	鲁作登字-2023-F-00167689	June 20, 2023
39.	Spring Jewellery Clasp (14)	Shandong Yifu	鲁作登字-2023-F-00167691	June 20, 2023
40.	Spring Jewellery Clasp (15)	Shandong Yifu	鲁作登字-2023-F-00167698	June 20, 2023
41.	Spring Jewellery Clasp (16)	Shandong Yifu	鲁作登字-2023-F-00167702	June 20, 2023
42.	Spring Jewellery Clasp (17)	Shandong Yifu	鲁作登字-2023-F-00167706	June 20, 2023
43.	Spring Jewellery Clasp (18)	Shandong Yifu	鲁作登字-2023-F-00167709	June 20, 2023
44.	Spring Jewellery Clasp (19)	Shandong Yifu	鲁作登字-2023-F-00167840	June 20, 2023
45.	Spring Jewellery Clasp (20)	Shandong Yifu	鲁作登字-2023-F-00167843	June 20, 2023
46.	Spring Jewellery Clasp (21)	Shandong Yifu	鲁作登字-2023-F-00167844	June 20, 2023
47.	Spring Jewellery Clasp (22)	Shandong Yifu	鲁作登字-2023-F-00167846	June 20, 2023
48.	Spring Jewellery Clasp (23)	Shandong Yifu	鲁作登字-2023-F-00167848	June 20, 2023

(d) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain name that we consider to be or may be material to our business:

No.	Domain Name	Registrant	Expiry Date
1	mokingran.com	Shandong Mokingran	August 31, 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors, Supervisors and Chief Executive

(i) ***Disclosure of Interests — Interests and short positions of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations***

Immediately following completion of the [REDACTED] (assuming that [REDACTED] is not exercised), the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors), will be as follows:

Interests in Shares and underlying Shares

Name and position	Description of Shares[1]	Nature of interests	Number of Shares after the [REDACTED]	Approximate percentage of interest in our Company immediately after the [REDACTED][2]
Mr. Wang Zhongshan (executive Director)	[REDACTED] Shares (L)	Beneficial owner/ interest in controlled corporation[3]	[REDACTED]	[REDACTED]
Ms. Zhang Xiuqin (executive Director)	[REDACTED] Shares (L)	Beneficial owner/ interest in controlled corporation[3]	[REDACTED]	[REDACTED]
Mr. Wang Guoxin (general manager)	[REDACTED] Shares (L)	Interest in controlled corporation[3]	[REDACTED]	[REDACTED]

Notes:

1. The Letter "L" denotes the person's long position in our Shares.

2. The calculation is based on the total number of [REDACTED] Shares in issue immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).

3. Please see note (2) in the "Substantial Shareholders" section.

Save as disclosed above, none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which shall 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/she is taken, or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or shall be or required to be, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to us and the Stock Exchange, in each case once our Shares are [REDACTED]. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors.

(ii) ***Particulars of service agreements and appointment letters***

Our Company [has entered into] a service agreement or an appointment letter with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association.

The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts or appointment letters with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) ***Directors' and Supervisors' remuneration***

Save as disclosed in the section headed "Directors, Supervisors and Senior Management — Remuneration Policy" of this document and under note 14 to the accountants' report set out in Appendix I to this document, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

Based on the arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration paid to the Directors and Supervisors for the year ending December 31, 2024 will be RMB3.83 million.

During the Track Record Period, no emoluments were paid by the Group to any of the directors, supervisors, chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director, supervisor or chief executive of the Company waived or agreed to waive any remuneration during the Track Record Period.

Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remunerated individuals.

Save as disclosed above and indirect shareholding interest our Directors and Supervisors held through our Employee Share Ownership Scheme, no Director or Supervisor is entitled to receive other special benefits from our Company.

2. Substantial Shareholders

(i) *Interests in the Shares of our Company*

For information on the persons (other than our Directors, Supervisors or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any other member of our Company, see "Substantial Shareholders" of this document.

Save as disclosed in the section headed "Substantial Shareholders" in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

(ii) *Interests in our Company's subsidiaries*

Immediately following the completion of the [REDACTED], assuming (i) the [REDACTED] has become unconditional and all [REDACTED] have been issued pursuant to the [REDACTED]; and (ii) the [REDACTED] have not been exercised, no person (other than our Company) will be interested, directly or indirectly, in 10% or more in any share class with the right to, in any event, vote at the general meeting of any other member (other than our Company) of our Group, save as disclosed as below:

Shenzhen City Gold Chief Executive Technology Culture Co., Ltd.* (深圳市金總裁科技文化有限公司), an Independent Third Party, holds 49% equity interests in Shenzhen E-commerce. Shenzhen City Gold Chief Executive Technology Culture Co., Ltd.* (深圳市金總裁科技文化有限公司) is held as to 60% by Li Guanglei (李廣磊) and 40% by Wang Bangyou (王邦友).

3. Directors' Competing Interests

Save as disclosed in "Relationship with our Controlling Shareholders — Delineation of Businesses — No competition and clear delineation of business" in this document, none of our Company's Directors has any interests in any business which competes or is likely to compete, either directly or indirectly, with our Group's business.

4. Agency Fees or Commissions Paid or Payable

Save as disclosed in "[REDACTED]" section in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital or security of any member of our Group.

5. Disclaimers

Save as disclosed in this document:

(i) none of our Directors, Supervisors, chief executive of the Company or any of the parties listed in "— E. Other Information — 7. Qualification of Experts" is:

(a) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(b) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(ii) save in connection with the [REDACTED] and the [REDACTED], none of the parties listed in "— E. Other Information — 7. Qualification of Experts":

(a) is interested legally or beneficially in any shares in any member of our Group; or

(b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(iii) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers of each year/period during the Track Record Period; and

(iv) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the [REDACTED] are [REDACTED] on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE SHARE OWNERSHIP SCHEME

We have approved and adopted the Employee Share Ownership Scheme in March 2016. The Employee Share Ownership Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Share Ownership Scheme does not involve the grant of new shares or awards by our Company after the [REDACTED].

Our Company has established three employee shareholding platforms, namely Jinmeng Partnership, Jinlong Partnership and Jinyuan Partnership (the "**Employee Shareholding Platforms**"). As of the Latest Practicable Date, the three Employee Shareholding Platforms, in aggregate, held 40,000,000 Shares before the completion of the [REDACTED]. For details of our Employee Shareholding Platforms, see "History, Development and Corporate Structure — Our Employee Shareholding Platforms" in this document.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the PRC law.

2. Litigation

During the Track Record Period and as of the Latest Practicable Date, we were not the defendant of any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our business, results of operations or financial conditions.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and permission to deal in the [REDACTED] to be converted from [REDACTED] Shares and the [REDACTED] to be issued pursuant to the [REDACTED] (including the additional [REDACTED] which may be issued pursuant to the exercise of the [REDACTED]). All necessary arrangements have been made to enable our [REDACTED] to be admitted into [REDACTED]. The Sole Sponsor is a wholly-owned subsidiary of CITIC Securities Company Limited. CITIC Securities Investment, being a wholly-owned subsidiary of CITIC Securities Company Limited, is regarded as a member of the sponsor group as defined under the Listing Rules. CITIC Securities Investment will hold approximately [REDACTED]% of the issued share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). Based on the foregoing facts and taking into account all the other criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules, the Sole Sponsor is of the view that the shareholding of CITIC Securities Investment in the Company will not impair its independence and it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a fee of US$700,000 to act as the Sole Sponsor to our Company in connection with the [REDACTED].

4. Compliance Advisor

Our Company has appointed Rainbow Capital (HK) Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Taxation of holder of [REDACTED]

The sale, purchase and transfer of [REDACTED] are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the [REDACTED] register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is

0.10% of the consideration or, if higher, the fair value of the [REDACTED] being sold or transferred. For further information in relation to taxation, see "Taxation and Foreign Exchange" in Appendix IV to this document.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jia Yuan Law Offices	Legal advisor as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Deloitte Touche Tohmatsu	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Cushman & Wakefield	Property Valuer

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Consent of Experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

9. Promoters

The promoters of our Company are as follows:

1. Wang Zhongshan
2. Zhang Xiuqin
3. Tianjin Yuanjinmeng
4. Jinmeng Partnership
5. Tianjin Haikai Xinchuang
6. Jinyuan Partnership
7. Jinlong Partnership
8. Ping An Tianyu
9. Huang Yi
10. Chengcheng Dinghui
11. Jiaxing Yugang

Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

12. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

13. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in Note 44 of the Accountants' Report set out in Appendix I to this document.

14. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) there is no arrangement under which future dividends are waived or agreed to be waived;

(iii) there are no contracts for hire or hire purchase of plan to or by us for a period of over one year which are substantial in relation to our business;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and

(v) there are no outstanding debentures or convertible debt securities of our Company or any of our subsidiaries.

(c) none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(e) none of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 8. Consent of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **http://www.mokingran.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;

(d) the report on unaudited [REDACTED] financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;

(e) the property valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix III to this document;

(f) the legal opinions issued by Jia Yuan Law Offices, our PRC Legal Advisor, in respect of the general matters and property interests of our Group;

(g) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in "Industry Overview" in this document;

(h) a copy of each of the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), together with their unofficial English translations;

(i) the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(j) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 8. Consent of Experts"; and

(k) the service contracts and the letters of appointment referred to in "Appendix VII — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Directors, Supervisors and Chief Executive — (ii) Particulars of service agreements and appointment letters".