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## SUMMARY

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*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“功勳人物”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.

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## SUMMARY

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### 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)

SUMMARY



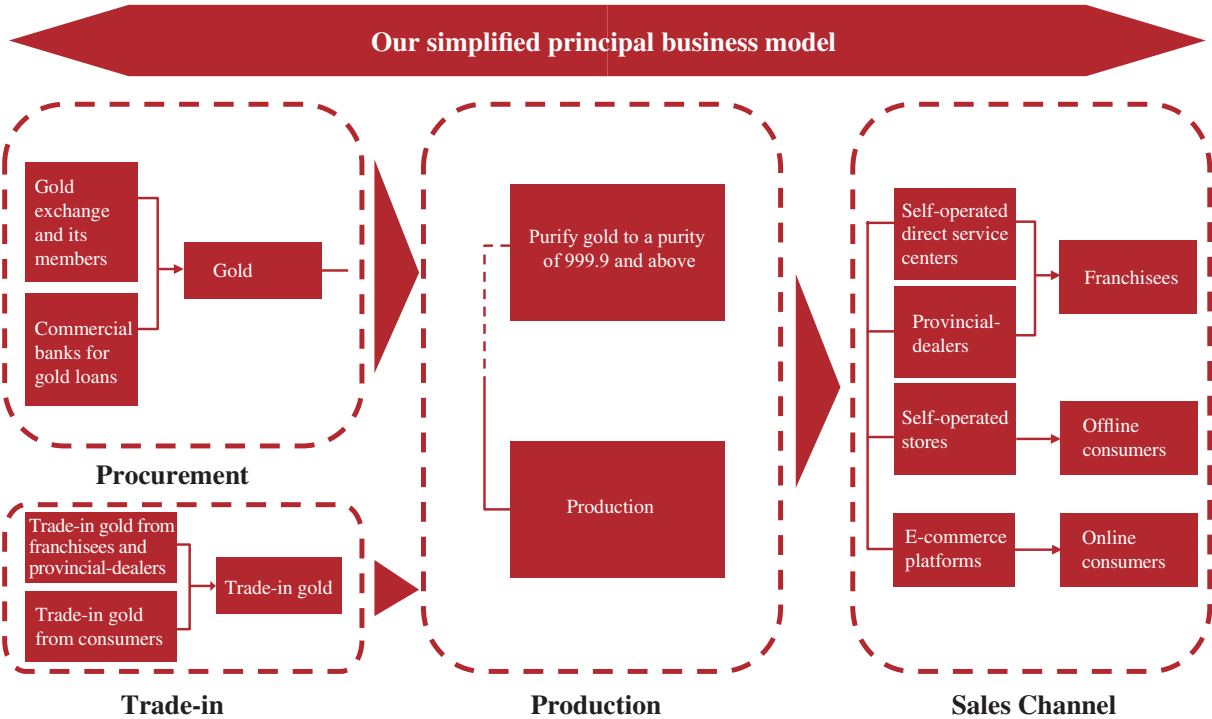
“Master Craftsman Legend series — Luck, Wealth and Golden Fortune”  
(匠傳系列—福祿金安)

“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)



## SUMMARY

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	%	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	3,906,356	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 <sup>(Note 1)</sup> <sup>(Note 2)</sup>	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 <sup>(Note 3)</sup>	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
<b>Total</b>	<b>16,871,000</b>	<b>100.0</b>	<b>536,441</b>	<b>3.2</b>	<b>15,724,215</b>	<b>100.0</b>	<b>759,248</b>	<b>4.8</b>	<b>20,208,599</b>	<b>100.0</b>	<b>1,077,460</b>	<b>5.3</b>	<b>9,316,213</b>	<b>100.0</b>	<b>528,036</b>	<b>5.9</b>	<b>9,979,744</b>	<b>100.0</b>	<b>617,506</b>	<b>6.2</b>

#### 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.

## SUMMARY

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
<b>Distribution channel</b>				
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
<b>Our production capacity</b>				
Actual production volume of gold jewellery products during the year/ period (kg) <sup>(Note 4)</sup> . . . . .	47,190	41,566	43,558	18,242
Optimal production capacity of gold jewellery products during the year/ period (kg) <sup>(Note 5)</sup> . . . . .	50,000	50,000	50,000	25,000
Utilization rate of our production capacity during the year/period (%) <sup>(Note 1)</sup> . . . . .	94.4	83.1	87.1	73.0
<b>Our purification capacity</b>				
Actual volume of gold purified (kg) <sup>(Note 2)</sup>	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 (%) <sup>(Note 3)</sup> . . . . .	45.7	25.3	20.9	48.3

**Notes:**

- 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.

## SUMMARY

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) <sup>(1)</sup>		3.7		(15.9) <sup>(2)</sup>

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## SUMMARY

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*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.

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## SUMMARY

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- 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<sup>(Note)</sup> 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.

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*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.



## SUMMARY

### 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	%	(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
<b>Total: . . . . .</b>	<b>14,772,630</b>	<b>87.6</b>	<b>14,836,284</b>	<b>94.4</b>	<b>18,923,195</b>	<b>93.7</b>	<b>8,851,440</b>	<b>95.1</b>	<b>8,207,527</b>	<b>82.3</b>

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, Jiaying, 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,

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## SUMMARY

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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.

## SUMMARY

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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 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.

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## SUMMARY

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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”.

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## SUMMARY

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### *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.

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## SUMMARY

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### 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

## SUMMARY

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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

## SUMMARY

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- 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

### 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	RMB'000
				(Unaudited)	
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 . . . . .	<u>224,498</u>	<u>180,756</u>	<u>233,472</u>	<u>105,987</u>	<u>52,252</u>
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 .	<u>3,880</u>	<u>(69)</u>	<u>3,097</u>	<u>1,820</u>	<u>4,819</u>
	<u>224,498</u>	<u>180,756</u>	<u>233,472</u>	<u>105,987</u>	<u>52,252</u>

#### 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

## SUMMARY

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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”.

## SUMMARY

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	%	RMB'000	%
	(Unaudited)									
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
<b>Total . . . . .</b>	<b>16,871,000</b>	<b>100.0</b>	<b>15,724,215</b>	<b>100.0</b>	<b>20,208,599</b>	<b>100.0</b>	<b>9,316,213</b>	<b>100.0</b>	<b>9,979,744</b>	<b>100.0</b>

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	%	RMB'000	%
	(Unaudited)									
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
<b>Total . . . . .</b>	<b>536,441</b>	<b>3.2</b>	<b>759,248</b>	<b>4.8</b>	<b>1,077,460</b>	<b>5.3</b>	<b>528,036</b>	<b>5.7</b>	<b>617,506</b>	<b>6.2</b>

## SUMMARY

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	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	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
<b>Subtotal . . . . .</b>	<b>415,712</b>	<b>2.8</b>	<b>631,072</b>	<b>4.3</b>	<b>896,006</b>	<b>4.7</b>	<b>433,352</b>	<b>4.9</b>	<b>493,777</b>	<b>6.0</b>
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 <sup>(Note)</sup> . . . . .	28,281	21.1	37,414	23.8	32,542	26.6	17,092	25.9	26,030	10.3
<b>Total . . . . .</b>	<b>536,441</b>	<b>3.2</b>	<b>759,248</b>	<b>4.8</b>	<b>1,077,460</b>	<b>5.3</b>	<b>528,036</b>	<b>5.7</b>	<b>617,506</b>	<b>6.2</b>

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## SUMMARY

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*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

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## SUMMARY

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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

## SUMMARY

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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.

## SUMMARY

### 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
<b>CURRENT ASSETS</b>				
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
<b>Total . . . . .</b>	<b><u>3,154,729</u></b>	<b><u>2,676,682</u></b>	<b><u>3,404,213</u></b>	<b><u>3,400,564</u></b>
<b>CURRENT LIABILITIES</b>				
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
<b>Total . . . . .</b>	<b><u>2,079,165</u></b>	<b><u>1,514,230</u></b>	<b><u>2,051,309</u></b>	<b><u>2,089,702</u></b>
<b>Net Current Assets . . . . .</b>	<b>1,075,564</b>	<b>1,162,452</b>	<b>1,352,904</b>	<b>1,310,862</b>
<b>Non-current Assets . . . . .</b>	<b>540,553</b>	<b>583,711</b>	<b>616,793</b>	<b>610,101</b>
<b>Non-current Liability . . . . .</b>	<b><u>76,240</u></b>	<b><u>56,730</u></b>	<b><u>46,792</u></b>	<b><u>37,433</u></b>
<b>Net Assets . . . . .</b>	<b><u>1,539,877</u></b>	<b><u>1,689,433</u></b>	<b><u>1,922,905</u></b>	<b><u>1,883,530</u></b>
<b>Capital and Reserves</b>				
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
<b>Total Equity . . . . .</b>	<b><u>1,539,877</u></b>	<b><u>1,689,433</u></b>	<b><u>1,922,905</u></b>	<b><u>1,883,530</u></b>



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## SUMMARY

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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.

## SUMMARY

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	RMB'000
				(Unaudited)	
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
<b>Cash and cash equivalents at end of the year/period</b>	<b><u>153,518</u></b>	<b><u>225,359</u></b>	<b><u>155,866</u></b>	<b><u>167,017</u></b>	<b><u>364,034</u></b>

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 fourth 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

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## SUMMARY

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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.

## SUMMARY

### 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 <sup>(1)</sup> . . . . .	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. (中泰証券股份有限公司) (“**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.

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## SUMMARY

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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.

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## SUMMARY

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### [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, Jimgeng 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

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## SUMMARY

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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.

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## SUMMARY

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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



## SUMMARY

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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.

**SUMMARY**

[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] <sup>(1)</sup> . . . .	HK\$[REDACTED] million	HK\$[REDACTED] million
Market capitalization of the [REDACTED] <sup>(2)</sup> . . . .	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 <sup>(3)</sup> .	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.

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## SUMMARY

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### 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

## SUMMARY

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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

## SUMMARY

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- 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.