
RISK FACTORS

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

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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management resources to deal with the negative publicity or exposing us to potential claims and/or litigations from third parties. Such actions by our franchisees and provincial-dealers would harm our reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Although we have a credit period management policy, we are still exposed to certain risks when it comes to payments from franchisees and provincial-dealers. During the Track Record Period, we lent gold products to customers on a case-by-case basis to replenish their stocks. Our ability to collect depends on supply and demand dynamics, budgetary cycles, shifting availability of funds and other factors that may not be within our control. For details of credit period risks from our franchisees and provincial-dealers, please refer to the section headed “Business — Sales and Distribution Channels — Offline Sales — (a) Franchise Stores”. Our credit period risk arises from default by our counterparties, including our franchisees. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had trade receivables of RMB98.0 million, RMB130.9 million, RMB150.5 million and RMB171.2 million, respectively. We generally grant to our provincial-dealers and franchisees a credit period ranging from three days to 90 days. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our average trade receivables turnover days were 2.0 days, 2.7 days, 2.5 days and 2.9 days, respectively. We cannot guarantee that we can always detect potential default by our franchisees. If we cannot collect trade receivables on time, our liquidity, result of operation and financial condition may be adversely affected. Any

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substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to initiate legal proceedings and to terminate our relationships with franchisees in a manner that will impair our sales, which in turn would adversely impact our business, financial conditions and results of operation. See “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables” and “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Net reversal of impairment losses/(impairment losses) under expected credit loss model” for further details.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. For details, see “Business — Environmental, Health and Work Safety Matters” in this document. Our business operations in China are also subject to fire safety laws. Special construction projects shall be subject to fire protection design review before construction and an inspection before such construction is put into use. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If more stringent regulatory requirements are implemented, we may

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have to incur significant expenses and divert substantial management time and resources to address such deficiencies, and we may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business operations and financial performance.

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

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

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

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

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Our sales may be affected by seasonality

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

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

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

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

Our future success is dependent upon the continued service of our senior management, such as Mr. Wang Zhongshan, our founder, chairman of our Board and executive Director who has valuable experience and knowledge of our products and industry, and who has made substantial contributions to the development of our operations, the design and craftsmanship of our products, and raw material procurement. For example, precise crafting machinery’s procurement and calibration require technical expertise that is difficult to find, develop and replicate. Our success also depends on the efforts and abilities of our design team, production team, procurement team and sales team, which undertake the design and development of our products, the procurement of raw materials and the sales of our products respectively. If we lose their services, we may not be able to

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locate suitable or qualified replacements, and we may incur additional expenses to recruit new senior management team members, which could severely disrupt our business and growth. In addition, if these personnel join our competitors or form a competing business, our business and prospects could be adversely affected. Furthermore, if the relationship between any of these personnel and any of our substantial shareholders deteriorates, our operations could be disrupted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our processing and production plants are concentrated

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

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if any of the aforesaid events occurs, we will be able to find alternative ways to produce and fulfil our customers’ orders. Any disruption of operation of our production facilities could materially and adversely affect our business, financial conditions and results of operations.

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

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

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

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

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. In the PRC, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in the PRC, Anti-Money Laundering Law of the People’s Republic of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People’s Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant

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expenses, our reputation could be harmed and our customers could cancel or not renew contracts for our services, all of which could have a material adverse effect on our business, financial conditions and results of operations.

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

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

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

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

In addition, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third-party online payment service providers through which some of our consumers may elect to make online purchases. Furthermore, our third-party logistics service providers or courier companies may also

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disclose or use information about our consumers illegally. Although we do not believe that we will be held responsible for any such illegal activities, any negative publicity on our IT system’s or online sales channels’ safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation. As such, we have established a data protection working group, appointed a data protection officer and cyber security officer. We have also formulated a personal data protection management policy in order to protect from material data leakage, but we cannot assure you that events beyond our control will not occur in the future, which could negatively affect our reputation.

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

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

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

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

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

Any dispute or claim in relation to these properties, including the lessors’ alleged unauthorized lease of these properties, could force us to relocate these properties. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would

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need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial conditions and results of operations.

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

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

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

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

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

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

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect our business, financial conditions and results of operation. For instance, there have been political matters that resulted in increased tensions between countries, such that different countries have to

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formulate measures in response to new trade policies, treaties and tariffs. Such measures may further escalate the tension between the countries or even lead to a trade war, which eventually have adverse impact to the global economy as a whole. In addition, the escalation of political, business, economic and trade relations between countries may trigger negative public sentiment towards particular countries. Although our business activities are substantially in the PRC, the above could have a material impact on our future expansion plans to other countries, and eventually affect our business, financial conditions and results of operation.

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

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

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

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

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

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

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

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

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

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

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

Further, our sales and distribution network primarily comprise franchisees, including provincial-dealers that we engage, who are authorised to use our brand in their course of business. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had 1,721, 1,704, 1,687 and 1,670 franchisees, respectively. There may be various litigation and regulatory risks related to our franchisees and the franchise stores they operate, including but not limited to consumer complaints,

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personal injuries, litigation initiated by employees due to contractual dispute, non-compliance with the applicable laws and regulations and so on. These claims, disputes and other legal proceedings may become associated with us and our brand and hence adversely affect our brand image and reputation.

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

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

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

Fluctuations in exchange rates could result in foreign currency exchange losses

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

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

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

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

RISKS RELATING TO OUR FINANCIAL POSITION

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

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

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

We plan to enhance our gold jewellery digitalized manufacturing center (黄金珠寶首飾智能製造中心) at our production facility in the Economic and Technological Development Zone at Changle County, Weifang City, Shandong Province, the PRC for the production of gold jewellery, K-gold products and spring clasps. We would incur additional capital expenditure in the future,

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which could negatively affect our financial condition and results of operations. In addition, there is no guarantee that we could achieve production efficiency and other expected benefits for establishing and utilizing our in-house production capacities in the near term, or at all.

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

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

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

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

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

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to our competitors. In addition, the costs of our raw materials such as gold and diamonds are high and any under-stocking or over-stocking of our inventory will have adverse impacts to our liquidity. During the Track Record Period, we did not record any inventory write-offs.

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

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

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

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Our operations are subject to PRC tax laws and regulations

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

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

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

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

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significant amounts of our [REDACTED] in the public market or the perception that these sales, or conversion of existing [REDACTED] Shares, if any, may occur could significantly decrease the prevailing market price of our [REDACTED] and our ability to raise equity capital in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly

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holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the State Administration of Taxation effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

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

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

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

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

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

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

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

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

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

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

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