

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

**Application Proof of**

**ZHOU LIU FU JEWELRY**

**Zhou Liu Fu Jewellery Co., Ltd.\***

**周六福珠宝股份有限公司**

(the “Company”)

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

**WARNING**

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange’s website does not give rise to any obligation of the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, its joint sponsors, overall coordinators, advisers or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

**No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.**

\* For identification purpose only

## IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.

# ZHOU LIU FU JEWELRY

## Zhou Liu Fu Jewellery Co., Ltd.\*

### 周六福珠宝股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])  
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation)  
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation and the [REDACTED])  
Maximum [REDACTED] : HK\$[REDACTED] per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)  
Nominal value : RMB1.00 per H Share  
[REDACTED] : [•]

Joint Sponsors, [REDACTED]



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

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

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in “Risk Factors”.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on or before [REDACTED] (Hong Kong time). If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED] (Hong Kong time), the [REDACTED] will not proceed and will lapse. The [REDACTED] will be no more than HK\$[REDACTED] per [REDACTED] and is currently expected to be no less than HK\$[REDACTED] per [REDACTED] unless otherwise announced.

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. See “Structure of the [REDACTED]” and “How to apply for [REDACTED]” for further details.

Pursuant to the termination provisions contained in the [REDACTED] in respect of the [REDACTED], the Joint Sponsors and the [REDACTED], on behalf of the [REDACTED], have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in “[REDACTED] – [REDACTED] and Expenses – [REDACTED] – Grounds for Termination” in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], [REDACTED], pledged or transferred within the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and [REDACTED] outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

\* For identification purpose only

[REDACTED]

**IMPORTANT**

---

[REDACTED]

## IMPORTANT

---

[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

---

[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

---

[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

---

[REDACTED]

## CONTENTS

### IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

*This document is issued by us solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of making, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a [REDACTED] and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this document to make your [REDACTED] decision. The [REDACTED] is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the [REDACTED]. Information contained on our website <https://www.zlf.cn/> does not form part of this document.*

	<i>Page</i>
<b>Expected Timetable</b> .....	iii
<b>Contents</b> .....	vi
<b>Summary</b> .....	1
<b>Definitions</b> .....	12
<b>Glossary of Technical Terms</b> .....	25
<b>Forward-looking Statements</b> .....	27
<b>Risk Factors</b> .....	29
<b>Waivers from Strict Compliance with the Listing Rules</b> .....	68
<b>Information about this document and the [REDACTED]</b> .....	73
<b>Directors, Supervisors and Parties Involved in the [REDACTED]</b> .....	79



## CONTENTS

	<i>Page</i>
<b>Corporate Information</b> .....	84
<b>Industry Overview</b> .....	86
<b>History, Development and Corporate Structure</b> .....	98
<b>Business</b> .....	120
<b>Regulatory Overview</b> .....	201
<b>Continuing Connected Transactions</b> .....	226
<b>Directors, Supervisors and Senior Management</b> .....	228
<b>Substantial Shareholders</b> .....	246
<b>Share Capital</b> .....	248
<b>Relationship with Our Controlling Shareholders</b> .....	252
<b>Financial Information</b> .....	259
<b>Future Plans and Use of [REDACTED]</b> .....	306
<b>[REDACTED]</b> .....	309
<b>Structure of the [REDACTED]</b> .....	324
<b>How to Apply for [REDACTED]</b> .....	334
<b>Appendix I – Accountants’ Report</b> .....	I-1
<b>Appendix II – [REDACTED]</b> .....	II-1
<b>Appendix III – Summary of Principal Legal and Regulatory Provisions</b> .....	III-1
<b>Appendix IV – Summary of the Articles of Association</b> .....	IV-1
<b>Appendix V – Taxation and Foreign Exchange</b> .....	V-1
<b>Appendix VI – Statutory and General Information</b> .....	VI-1
<b>Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display</b> .....	VII-1

## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

## OVERVIEW

We are a leading and fast growing jewelry company in China, offering a diverse portfolio of high-quality products through our offline stores and online sales channels. According to Frost & Sullivan, in terms of number of stores in China, we have consistently ranked among the five largest brands in the Chinese jewelry market for seven consecutive years from 2017 to 2023, and in terms of CAGR of jewelry revenue from 2021 to 2023, we ranked first among jewelry companies with nationwide operations in China.

Our business model integrates jewelry product development and design, procurement and supply, franchising and brand operation, creating an open and mutually beneficial commercial environment that efficiently links the various streams in the industry value chain. Set forth below is an overview of our business model:



We have established a widespread network of retail stores across China. As of December 31, 2023, our offline sales network had a total of 4,383 stores (including both franchise stores and self-operated stores), spanning 31 provinces and 301 prefecture-level cities and divisions. According to Frost & Sullivan, as of December 31, 2023, we ranked (i) fourth in terms of number of stores in China among Chinese jewelry brands; and (ii) third in terms of number of offline stores in the southern area of China, where our business started, among Chinese jewelry brands.

## SUMMARY

---

We have actively expanded our online sales channels, achieving notable success. From 2021 to 2023, we recorded a CAGR in online sales revenue of 53.7%, with online sales revenue accounting for 33.9% of our total revenue in 2023. According to Frost & Sullivan, in terms of both figures, we ranked first among jewelry companies with nationwide operations in China.

Throughout our development path, we have navigated through multiple industrial and economic cycles, which attests to the resilience of our business model. Our products have been a part of important moments of our end consumers’ lives, and their support has contributed to our steady growth and improvement. We expect to see our “Zhou Liu Fu” brand continue to rejuvenate and achieve sustained growth.

### OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success: (i) leading jewelry company with rapid growth and substantial growth potential; (ii) extensive offline sales network and rapidly expanding online channels; (iii) widely renowned and highly recognized brand; (iv) open and mutually beneficial franchise model with long-term and efficient franchisee partners; (v) outstanding supply chain management capability and rigorous quality control systems; and (vi) experienced, dynamic and visionary management team.

### OUR GROWTH STRATEGIES

We strive to achieve continuous growth and offer high-quality jewelry products to end consumers. To this end, we aim to implement the following strategies: (i) expand and optimize store network to refine and enhance store operations and management; (ii) deepen product craftsmanship and innovation to enrich our product matrix; (iii) strengthen brand building and enhance brand influence and recognition; (iv) leverage sales opportunities from channel expansion; (v) optimize digital operations to enhance efficiency throughout our operations; and (vi) improve supply chain management capabilities.

### OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily consisted of our franchisees and e-commerce platforms. In 2021, 2022 and 2023, our five largest customers together generated RMB291.1 million, RMB431.5 million and RMB675.2 million of revenue, respectively, accounting for 10.5%, 13.9% and 13.1% of our total revenue, respectively. In addition, revenue generated from our largest customer accounted for 5.7%, 9.1% and 9.0% of our total revenue in 2021, 2022 and 2023, respectively. See “Business – Our Customers.”

## SUMMARY

---

During the Track Record Period, our suppliers primarily consisted of (i) Shanghai Gold Exchange, (ii) diamond suppliers and (iii) outsourced producers. In 2021, 2022 and 2023, purchases from our five largest suppliers amounted to RMB1,456.7 million, RMB1,914.7 million and RMB3,689.0 million, respectively, representing 73.2%, 77.8% and 88.5% of our total purchases, respectively. In addition, purchases from the Shanghai Gold Exchange, our largest supplier, amounted to RMB1,296.8 million, RMB1,688.4 million and RMB3,564.6 million respectively, accounting for 65.1%, 68.6% and 85.5% of our total purchases in 2021, 2022 and 2023, respectively. See “Business – Our Suppliers.”

### COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the size of the jewelry market in China grew at a CAGR of 7.2% from RMB580 billion in 2018 to RMB820 billion in 2023. In particular, the market size of gold jewelry in China grew at a CAGR of 11.0% from RMB308 billion in 2018 to RMB518 billion in 2023. In terms of market size by sales channels, franchise stores held the largest share of 72.9% in the gold jewelry market in 2023, followed by self-operated stores and e-commerce sales. However, the e-commerce sector experienced the most rapid growth, with a CAGR of 16.2% from 2018 to 2023, indicating an accelerating shift towards digitalization and the increasing consumer preference for the convenience of online shopping in the jewelry industry. The gold jewelry market is expected to reach RMB811 billion in 2028 with a CAGR of 9.4%, according to Frost & Sullivan.

According to Frost & Sullivan, the gold jewelry market in China is concentrated. Market share by the five largest jewelry companies in terms of number of offline stores in China increased from 31.6% in 2018 to 37.7% in 2023. Brand loyalty in the gold jewelry industry is a key factor, with end consumers often favoring established brands they perceive as reliable and of high-quality. Developing a strong brand in this industry requires substantial investment in marketing, customer service and the consistent delivery of high-quality products.

See the section headed “Industry Overview” for more details.

## SUMMARY

### OUR SALES NETWORK

During the Track Record Period, our products were sold primarily through (i) franchise model; (ii) self-operated stores and (iii) online sales channels. The following table sets forth the breakdown of our revenue model in terms of sales channels and products and services offered for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<b>Franchise Model</b>	<b>1,667,464</b>	<b>59.9</b>	<b>1,641,056</b>	<b>52.9</b>	<b>2,852,830</b>	<b>55.4</b>
<i>Sales of products</i>	<b>1,075,241</b>	<b>38.6</b>	<b>843,234</b>	<b>27.2</b>	<b>2,020,325</b>	<b>39.2</b>
(i) Gold jewelry <sup>(1)</sup>	376,984	13.5	427,697	13.8	1,669,334	32.4
(ii) Diamond-set jewelry and others <sup>(2)</sup>	698,257	25.1	415,537	13.4	350,991	6.8
<i>Service fees</i>	<b>592,223</b>	<b>21.3</b>	<b>797,822</b>	<b>25.7</b>	<b>832,505</b>	<b>16.2</b>
(i) Franchise service fee	75,904	2.7	78,102	2.5	78,539	1.5
(ii) Product admission fee	398,020	14.3	627,150	20.2	631,655	12.3
(iii) Other service fees <sup>(3)</sup>	118,299	4.3	92,570	3.0	122,311	2.4
<b>Self-operated Stores</b>	<b>343,451</b>	<b>12.3</b>	<b>362,296</b>	<b>11.7</b>	<b>487,016</b>	<b>9.5</b>
(i) Gold jewelry <sup>(1)</sup>	297,213	10.7	319,380	10.3	450,677	8.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	46,238	1.7	42,916	1.4	36,339	0.7
<b>Online Sales Channels</b>	<b>739,111</b>	<b>26.6</b>	<b>1,072,127</b>	<b>34.6</b>	<b>1,745,817</b>	<b>33.9</b>
(i) Gold jewelry <sup>(1)</sup>	583,377	21.0	908,903	29.3	1,555,960	30.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	155,734	5.6	163,224	5.3	189,857	3.7
<b>Others<sup>(4)</sup></b>	<b>33,030</b>	<b>1.2</b>	<b>26,211</b>	<b>0.8</b>	<b>63,938</b>	<b>1.2</b>
<b>Total</b>	<b>2,783,056</b>	<b>100.0</b>	<b>3,101,690</b>	<b>100.0</b>	<b>5,149,601</b>	<b>100.0</b>

*Notes:*

- (1) Gold Jewelry primarily include pure gold jewelry, K gold jewelry and platinum jewelry.
- (2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.
- (3) Other service fees primarily include supply chain management fees charged from our authorized suppliers, decoration management fees charged from decoration service providers and performance guarantee fee charged from our franchisees, mainly in 2021.
- (4) Others primarily include wholesales and certain customized orders.

## SUMMARY

The following table sets forth the number of our franchise stores and self-operated stores as of December 31, 2021, 2022 and 2023, respectively:

	As of December 31,		
	2021	2022	2023
Franchise stores	3,694	3,974	4,288
Self-operated stores	70	78	95
<b>Total</b>	<b>3,764</b>	<b>4,052</b>	<b>4,383</b>

### SUMMARY OF CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

#### Key Items of Consolidated Statements of Profit or Loss and Comprehensive Income

The following table sets out key items of our consolidated statements of profit or loss and comprehensive income for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
<b>REVENUE</b>	<b>2,783,056</b>	<b>100.0</b>	<b>3,101,690</b>	<b>100.0</b>	<b>5,149,601</b>	<b>100.0</b>
Cost of sales	(1,808,493)	(65.0)	(1,901,602)	(61.3)	(3,798,706)	(73.8)
<b>Gross profit</b>	<b>974,563</b>	<b>35.0</b>	<b>1,200,088</b>	<b>38.7</b>	<b>1,350,895</b>	<b>26.2</b>
PROFIT FOR THE YEAR	425,397	15.3	575,241	18.5	659,694	12.8
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>425,397</b>	<b>15.3</b>	<b>575,238</b>	<b>18.5</b>	<b>659,823</b>	<b>12.8</b>

## SUMMARY

### Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	111,929	425,866	591,307
Total current assets	1,914,414	2,158,969	2,483,896
<b>Total assets</b>	<b>2,026,343</b>	<b>2,584,835</b>	<b>3,075,203</b>
Total non-current liabilities	19,107	22,002	17,965
Total current liabilities	684,799	657,794	793,614
<b>Total liabilities</b>	<b>703,906</b>	<b>679,796</b>	<b>811,579</b>
<b>Net assets</b>	<b>1,322,437</b>	<b>1,905,039</b>	<b>2,263,624</b>

Our net current assets increased from RMB1,501.2 million as of December 31, 2022 to RMB1,690.3 million as of December 31, 2023 primarily attributable to (i) the increase of RMB297.9 million in inventory and (ii) the increase of RMB49.1 million in prepayments, other receivables and other assets, which was partially offset by (i) the decrease of RMB29.4 million in cash and bank balances, (ii) the increase of RMB28.1 million in contract liabilities and (iii) the increase of other payables and accruals of RMB17.2 million.

Our net current assets increased from RMB1,229.6 million as of December 31, 2021 to RMB1,501.2 million as of December 31, 2022 primarily attributable to (i) the increase of RMB368.3 million in inventory and (ii) the increase of RMB56.5 million in prepayments, other receivables and other assets, partially offset by (i) the decrease of RMB203.8 million in cash and bank balances, (ii) the increase of RMB11.3 million in tax payables and (iii) the increase of lease liabilities of RMB2.8 million.

See “Financial Information – Selected Balance Sheet Items” for more details.

## SUMMARY

### Summary of Consolidated Statements of Cash Flows

The following table sets forth selected information from our consolidated statements of cash flows for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	490,688	138,937	403,883
Net cash flows (used in) investing activities	(21,482)	(328,356)	(192,886)
Net cash flows (used in) financing activities	(321,506)	(24,013)	(240,791)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>147,700</b>	<b>(213,432)</b>	<b>(29,794)</b>
Cash and cash equivalents at beginning of the year	273,377	421,077	207,642
Effect of foreign exchange rate changes, net	–	(3)	130
<b>Cash and cash equivalents at end of the year</b>	<b>421,077</b>	<b>207,642</b>	<b>177,978</b>

See “Financial Information – Liquidity and Capital Resources – Cash Flows Analysis” for more details.

### KEY FINANCIAL RATIOS

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

	<b>As of or for the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Return on equity <sup>(1)</sup>	35.9%	35.6%	31.7%
Return on total assets <sup>(2)</sup>	22.9%	24.9%	23.3%
Current ratio <sup>(3)</sup>	2.8 times	3.3 times	3.1 times

*Notes:*

- (1) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (2) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (3) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.

See “Financial Information – Key Financial Ratios” for more details.



## SUMMARY

---

### RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to our financial position, (iii) risks relating to doing business in the country where we operate and (iv) risks relating to the [REDACTED]. These risks include, among others, the following:

- We may not be able to effectively meet consumer demand.
- We or our franchisees may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business.
- Our business depends on the impact of our “Zhou Liu Fu” brand.
- We may fail to protect our intellectual properties or be subject to counterfeiting, imitation or other intellectual property infringement by third parties.
- Our store network consists primarily of franchise stores operated by franchisees over whom we have limited control.
- Our business is susceptible to fluctuation in prices of the raw materials that we use in our products.
- Failure to maintain effective pricing strategies and any downward changes in the prices of our products may have a material adverse effect on our business.
- We collaborate with outsourced producers for the production of all of our products.

### LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings which could, individually or in aggregate, have a material adverse impact on our business and we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations. See “Business – Legal Proceedings and Compliance” for more details.

---

## SUMMARY

---

### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, (i) Mr. Li Weizhu was interested in and entitled to exercise approximately 66.72% of the voting rights in our Company, comprising approximately 36.62%, 27.46% and 2.64% of the total issued share capital of our Company owned by Ruoshui United, Shangshan United and Chuangming Investment, respectively, among which Ruoshui United was owned as to 60% by Mr. Li Weizhu, Shangshan United was owned as to 70% by Mr. Li Weizhu, each of Ruoshui United and Shangshan United was directly owned as to 40% and 30% by Shenzhen Zhou Liu Fu, which was in turn directly wholly-owned by Mr. Li Weizhu, and Mr. Li Weizhu was the general partner of Chuangming Investment; and (ii) Mr. Li Weipeng was interested in and entitled to exercise approximately 26.97% of the voting rights in our Company through Qiankun United, which was directly wholly-owned by Mr. Li Weipeng. Accordingly, Mr. Li Weizhu, Mr. Li Weipeng, Shenzhen Zhou Liu Fu, Ruoshui United, Shangshan United, Qiankun United and Chuangming Investment were in aggregate entitled to exercise approximately 93.70% of the voting rights in our Company as of the Latest Practicable Date and therefore constituted the Controlling Shareholders Group. See “History, Development and Corporate Structure – Our Shareholding Structure Immediately Prior to the Completion of the [REDACTED]” for further details.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders Group will be able to exercise in aggregate approximately [REDACTED]% of the voting rights in our Company and will therefore continue to constitute the Controlling Shareholders Group. See “History, Development and Corporate Structure – Our Shareholding Structure Immediately Following the Completion of the [REDACTED]” for further details.

[REDACTED]

---

## SUMMARY

---

### DIVIDENDS

We declared and paid dividend of RMB150.1 million in 2021 and a dividend of RMB300.3 million in 2023 respectively. See Note 11 to the Accountants’ Report included in Appendix I to this document for more details. In March 2024, we declared a dividend of RMB347.9 million, which was fully paid in April 2024. In May 2024, we declared a dividend of RMB296.6 million, among which, RMB20.0 million has been paid in June 2024 and the rest is expected to be fully paid before the completion of the [REDACTED]. As of the Latest Practicable Date, we did not have a fixed dividend distribution ratio.

After completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important.

### FUTURE PLANS AND USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] commissions and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] (RMB[REDACTED]) from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards the expansion and strengthening of our sales network;
- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards strengthening our brand in order to enhance our brand’s market visibility;
- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards improving our product offering and enhancing our product design and development capabilities; and
- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated to provide funding for working capital and general corporate purposes.

---

## SUMMARY

---

### [REDACTED]

[REDACTED] consist of professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] expenses to consist of approximately HK\$[REDACTED] in [REDACTED] fees and HK\$[REDACTED] in non-[REDACTED] fees, comprising (a) fees and expenses of legal advisors and accountants of approximately HK\$[REDACTED] and (b) other fees and expenses of approximately HK\$[REDACTED]. Among the total [REDACTED], approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK\$[REDACTED] will be expensed in our consolidated statements of comprehensive income.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of our latest consolidated financial statements, and there has been no event since December 31, 2023 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

### PRE-[REDACTED] INVESTMENT

We have entered into several rounds of Pre-[REDACTED] Investments since 2021. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments” for further details and identity and background of the Pre-[REDACTED] Investors.

## DEFINITIONS

*In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of technical terms”.*

“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, as included in Appendix I to this document
“Acting-in-Concert Agreement”	the acting-in-concert agreement dated June 1, 2024 entered into between Mr. Li Weizhu and Mr. Li Weipeng, details of which are set out in the section headed “Relationship with Our Controlling Shareholders – Overview” in this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on June 23, 2024 with effect from the [REDACTED], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix IV to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
----------------------	---

## DEFINITIONS

“China Resources Mixc” or “Mixc”	a high-end shopping mall brand under China Resources (Holdings) Company Limited (華潤(集團)有限公司), with nationwide operations in China
“Chuangming Investment”	Gongqingcheng Chuangming Investment Partnership (Limited Partnership) (共青城创明投资合夥企业(有限合夥)), formerly known as Ningbo Chuangming Enterprise Management Partnership (Limited Partnership) (宁波创明企业管理合夥企业(有限合夥)) and Shenzhen Chuangmei Future Investment Partnership (Limited Partnership) (深圳创美未来投资合夥企业(有限合夥)), a limited partnership established under the laws of the PRC on December 8, 2017, one of our Employee Shareholding Platforms and one of the members of our Controlling Shareholders Group
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Compliance Advisor”	has the meaning ascribed thereto under the Listing Rules
“Company”, “our Company” or “the Company”	Zhou Liu Fu Jewellery Co., Ltd. (周六福珠宝股份有限公司) (formerly known as Shenzhen Zhou Liu Fu Jewellery Co., Limited (深圳市周六福珠宝有限公司) and Shenzhen Zhou Tian Fu Jewellery Co., Ltd. (深圳市周天福珠宝首饰有限公司)), which was initially incorporated under the laws of the PRC as a limited liability company on April 28, 2004 and was subsequently converted into a joint stock company with limited liability on November 7, 2018
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“Controlling Shareholder(s)” or “Controlling Shareholders Group”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Li Weizhu, Mr. Li Weipeng, Shenzhen Zhou Liu Fu, Ruoshui United, Shangshan United, Qiankun United and Chuangming Investment, as further detailed in the section headed “Relationship with Our Controlling Shareholders” in this document
“Conversion of Unlisted Shares into H Shares”	the conversion of [REDACTED] Unlisted Shares in aggregate held by 11 existing Shareholders into [REDACTED] H Shares upon the completion of the [REDACTED]
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
	[REDACTED]
“Di Ai Jewelry”	Di Ai (Shenzhen) Jewelry Co., Ltd. (諦愛(深圳)珠寶有限公司), a limited liability company incorporated under the laws of PRC on October 31, 2017 and one of our Pre-[REDACTED] Investors
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Employee Shareholding Platforms”	collectively, Chuangming Investment, Shaobo Investment and Meiyu Investment
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FIL”	Foreign Investment Law of the PRC (中華人民共和國外商投資法)

---

## DEFINITIONS

---

[REDACTED]

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company

“Frost & Sullivan Report” the industry report commissioned by us and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview” in this document

[REDACTED]

“Governmental Authority” any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

“Group”, “our Group”, “we”, “us”, or “our” our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

“Guide” the Guide for New Listing Applicants published by the Stock Exchange effective on January 1, 2024, as amended from time to time

“H Share(s)” overseas [REDACTED] foreign Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be [REDACTED] for and [REDACTED] in HK dollars and are to be [REDACTED] on the Stock Exchange

[REDACTED]

“HK” or “Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China

“HK\$”, “HK dollars” or “Hong Kong dollars” Hong Kong dollars, the lawful currency of Hong Kong



## DEFINITIONS

---

“HKFRS”

Hong Kong Financial Reporting Standard

[REDACTED]

## DEFINITIONS

---

[REDACTED]

“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

[REDACTED]

## DEFINITIONS

---

[REDACTED]

“Joint Sponsors” the joint sponsors of the [REDACTED] as named in the section headed “Directors, Supervisors and Parties Involved in the [REDACTED] – Parties Involved in the [REDACTED]” in this document

“Latest Practicable Date” June 19, 2024, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

---

## DEFINITIONS

---

“Meiyu Investment”	Gongqingcheng Meiyu Investment Partnership (Limited Partnership) (共青城美裕投资合夥企业(有限合夥)), formerly known as Shenzhen Meiyu Investment Partnership (Limited Partnership) (深圳美裕投资合夥企业(有限合夥)), a limited partnership established under the laws of PRC on December 7, 2017 and one of our Employee Shareholding Platforms
“Mingyang Investment”	Gongqingcheng Mingyang Investment Partnership (Limited Partnership) (共青城明阳投资合夥企业(有限合夥)), a limited partnership established under the laws of PRC on July 27, 2021 and one of our Pre-[REDACTED] Investors
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	Ministry of Human Resources and Social Security of PRC (中華人民共和國人力資源和社會保障部)
“Nice Classification”	the Nice Classification was established by the Nice Agreement, an international classification of goods and services applied for the registration of marks
“NIPA”	the National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

---

## DEFINITIONS

---

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisor”	Zhong Lun Law Firm, our legal advisor as to PRC laws
“Pre-[REDACTED] Investment(s)”	the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors prior to the [REDACTED], the details of which are set out in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document
“Pre-[REDACTED] Investor(s)”	the investor(s) who participated in our Pre-[REDACTED] Investment(s) as named in the section headed “History, Development and Corporate Structure – Pre-[REDACTED] Investments – Information of the Pre-[REDACTED] Investors” in this document

[REDACTED]

“province(s)”	for the purpose of this document and for geographical reference only the “province(s)” include(s) municipalities, autonomous regions and special administrative regions in China
“Qiankun United”	Shenzhen Qiankun United Investment Co., Ltd. (深圳乾坤联合投资有限公司), a limited liability company incorporated under the laws of PRC on November 24, 2015 and one of the members of our Controlling Shareholders Group

## DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Ruoshui United”	Shenzhen Ruoshui United Investment Co., Ltd. (深圳若水联合投资有限公司), a limited liability company incorporated under the laws of PRC on November 16, 2015 and one of the members of our Controlling Shareholders Group
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shaobo Investment”	Gongqingcheng Shaobo Investment Partnership (Limited Partnership) (共青城少伯投资合夥企业(有限合伙)), formerly known as Shenzhen Shaobo Investment Partnership (Limited Partnership) (深圳少伯投资合夥企业(有限合伙)), a limited partnership established under the laws of PRC on December 8, 2017 and one of our Employee Shareholding Platforms
“Shanghai Diamond Exchange”	a premier state-level market in China dedicated to diamond trading, established with approval from the State Council and officially launched in October 2000

## DEFINITIONS

“Shanghai Gold Exchange”	a premier state-level market in China dedicated to gold trading, established by the People’s Bank of China with approval from the State Council and officially launched in October 2002
“Shangshan United”	Shenzhen Shangshan United Investment Co., Ltd. (深圳上善联合投资有限公司), a limited liability company incorporated under the laws of PRC on November 16, 2015 and one of the members of our Controlling Shareholders Group
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen Zhou Liu Fu”	Shenzhen Zhou Liu Fu Investment Co., Ltd. (深圳市周六福投资有限公司), a limited liability company incorporated under the laws of PRC on March 18, 2013 and one of the members of our Controlling Shareholders Group
“Special PRC Legal Advisor”	Sundial Law Firm, the special legal advisor to our Company as to PRC data security and privacy protection matters

[REDACTED]

“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	supervisory committee of our Company

---

## DEFINITIONS

---

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended December 31, 2021, 2022 and 2023
“U.S.”, “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. SEC”	the Securities and Exchange Commission of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

“Unlisted Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are not listed on any stock exchange
“VAT”	value-added tax
“Wanda Plaza”	a shopping mall brand under Dalian Wanda Group (大連萬達集團), with nationwide operations in China

[REDACTED]

“Xianglong Chuangmei”	Shenzhen Xianglong Chuangmei Enterprise Management Partnership (Limited Partnership) (深圳市祥龍創美企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC on March 27, 2024 and one of our Pre-[REDACTED] Investors
-----------------------	---



## DEFINITIONS

“Yongcheng No. 15”	Hainan Yongcheng No. 15 Investment Partnership (Limited Partnership) (海南永誠拾伍號投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC on March 23, 2023 and one of our Pre-[REDACTED] Investors
“Zhengfu Investment”	Shenzhen Zhengfu Investment Co., Ltd. (深圳市正福投資有限公司), a limited liability company incorporated under the laws of PRC on September 14, 2004 and one of our Pre-[REDACTED] Investors
“Zhou Liu Fu E-Commerce”	Zhou Liu Fu E-Commerce Co., Ltd. (周六福電子商務有限公司), formerly known as Shenzhen Zhou Liu Fu E-Commerce Co., Ltd. (深圳市周六福電子商務有限公司), a limited liability company incorporated under the laws of PRC on May 25, 2017 and a wholly-owned subsidiary of our Company
“Zhou Liu Fu Jewellery (Chongqing)”	Zhou Liu Fu Jewellery (Chongqing) Co., Ltd. (周六福珠寶(重慶)有限公司), a limited liability company incorporated under the laws of PRC on March 22, 2021 and a wholly-owned subsidiary of our Company
“Zhou Liu Fu Jewellery Sales” (Chongqing)”	Zhou Liu Fu Jewellery Sales (Chongqing) Co., Ltd. (周六福珠寶銷售(重慶)有限公司), a limited liability company incorporated under the laws of PRC on October 17, 2019 and a wholly-owned subsidiary of our Company
“Zhou Liu Fu Retail E-Commerce”	Shenzhen Zhou Liu Fu Retail E-Commerce Co., Ltd. (深圳市周六福零售電商有限公司), a limited liability company incorporated under the laws of PRC on May 30, 2022 and a wholly-owned subsidiary of our Company
“%”	per cent.

The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this document is for identification purposes only. In this document, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and its English translation, the Chinese names shall prevail.

## GLOSSARY OF TECHNICAL TERMS

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

“Au”	the symbol for the chemical element of gold
“Au9999”	gold with 99.99% fineness
“CAGR”	compound annual growth rate
“East China”	the region of China comprising Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi provinces
“First-Tier Cities”	referring to Beijing, Shanghai, Guangzhou and Shenzhen
“Gen-Z” and “millennials”	people who were born between 1981 and 2012
“gf”	unit for gram-force
“HV”	unit for gold hardness
“IT”	Information Technology
“K”	a fractional measure of purity for gold alloys, in parts fine per 24 parts whole. Under the K measurement, the higher the K value, the higher the purity of gold, with 1K represents a purity level of 4.167% and 24K represents a theoretical purity level of 100%
“K gold”	a common term, typically refers to a type of non-pure gold with a K measurement of 22K (91.6%), 18K (75.0%), or even lower
“KOC(s)”	key opinion consumer(s)
“KOL(s)”	key opinion leader(s)
“North China”	the region of China comprising Beijing, Tianjin, Hebei and Shanxi provinces
“ounce”	a unit of weight for gold, each of which is equal to approximately 28 grams
“pure gold”	refers to fine gold with gold content of 99.0% or above, according to the PRC National Standard No. GB11887

## GLOSSARY OF TECHNICAL TERMS

“Second-Tier Cities”	referring to Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi’an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo and Hefei, Foshan, Shenyang, Wuxi, Jinan, Xiamen, Fuzhou, Wenzhou, Harbin, Shijiazhuang, Dalian, Nanning, Quanzhou, Jinhua, Guiyang, Changzhou, Changchun, Nanchang, Nantong, Jiaxing, Xuzhou, Huizhou, Taiyuan, Taizhou, Shaoxing, Baoding, Zhongshan, Weifang, Linyi, Zhuhai, Yantai
“South China”	the region of China comprising Guangdong, Hunan, Fujian, Hainan and Guangxi provinces
“sq. ft.”	square foot
“sq. m.”	square meter
“Third-Tier Cities”	referring to Lanzhou, Haikou, Huzhou, Yangzhou, Luoyang, Shantou, Yancheng, Ganzhou, Tangshan, Urumqi, Jining, Zhenjiang, Langfang, Xianyang, Taizhou, Wuhu, Handan, Jieyang, Nanyang, Hohhot, Fuyang, Jiangmen, Yinchuan, Zunyi, Huai’an, Zhangzhou, Guilin, Zibo, Xinxiang, Lianyungang, Cangzhou, Mianyang, Hengyang, Shangqiu, Heze, Xinyang, Xiangyang, Chuzhou, Shangrao, Jiujiang, Yichang, Putian, Zhanjiang, Liuzhou, Anqing, Suqian, Zhaoqing, Zhoukou, Xingtai, Jingzhou, Sanya, Yueyang, Bengbu, Zhumadian, Tai’an, Chaozhou, Zhuzhou, Weihai, Lu’an, Changde, Anyang, Suzhou, Huanggang, Dezhou, Ningde, Liaocheng, Yichun, Weinan, Qingyuan, Nanchong
“ton”	metric ton, a unit measuring weight, equal to 1,000 kilograms
“5D gold”	the standard released by China Gold Association (中國黃金協會) referring to gold of high content, high hardness (not less than 100HV), high gloss, strong wear resistance and strong deformation resistance
“5G gold”	the standard released by Guangdong Gold Association (廣東省黃金協會) referring to the surface hardness of gold that is not less than 60.0HV (under a condition of loading force 200gf and loading time 15 seconds)

---

## FORWARD-LOOKING STATEMENTS

---

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules “ and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- our ability to control costs and expenses;
- our ability to identify and satisfy consumer demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- relevant government policies, legislations and regulations relating to our business and industry, as well as interpretation and positions adopted by, and actions taken by, the relevant regulatory agencies; and
- all other risks and uncertainties described in “Risk Factors”.

## FORWARD-LOOKING STATEMENTS

---

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [REDACTED] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

## RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial performance and results of operations. In any such case, the [REDACTED] of our H Shares 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.

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **We may not be able to effectively meet consumer demand.**

We believe that our continued success depends on our ability to anticipate, identify and interpret market trends, specifically the habits, consumption trends and tastes of our end consumers and to offer products accordingly. Consumer preference in discretionary products is also subject to numerous factors and events which are beyond our control, such as general economic condition, inflation, availability of consumer credit, taxation and employment trends. In addition, certain major social events, such as public health emergencies, may result in the disruption of economic activities. As a result, economic downturns, recessions or uncertainty could adversely affect the purchasing power of our end consumers and alter their preferences for jewelry products.

Given the diversity of our end consumers buying habits, market trends, tastes and preferences may vary from region to region. Consumer preferences may also vary over time in response to changing aesthetics. Accordingly, we must continuously develop and offer products with a wide spectrum of designs and characteristics across our product categories that are tailored to regional market trends and consumer preferences and we must effectively execute various strategies, such as:

- accurately assessing and effectively meeting consumer needs;
- keeping our product design and development up-to-date and align with fashion trend;
- providing high-quality and artistic products;
- pricing our products competitively;
- conducting effective marketing activities;
- effectively integrating end consumer feedback into our business planning; and
- increasing our customer service, franchisee management and general process improvements.

---

## RISK FACTORS

---

As we diversify and expand our product portfolio, we need to invest further to launch new designs, 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 design, 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.

There is no assurance that we will correctly anticipate, identify and interpret the varying habits, trends, tastes and preferences of our end consumers across regions and offer products with designs and characteristics that are well received by them and that we will be able to successfully integrate new products into our existing product portfolio. If we fail to observe, anticipate or respond to changes in consumer demand or preferences or fail to launch products that satisfy consumer demand or preferences in a timely manner, our business, financial performance and results of operations may be adversely affected.

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

We cannot assure you that any aspects of our operations or business, as well as those of our franchisees, do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, software copyrights, domain names, 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. There could also be existing intellectual property rights of which we or our franchisees are not aware that our products may inadvertently infringe upon.

We and certain of our franchisees have in the past been notified by certain intellectual property rights owners of products which may be susceptible to trademark or design infringement. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material dispute regarding infringement of intellectual property rights of third parties which had a material impact on our business, financial performance and results of operations. However, we cannot assure you that in the future, we will not be threatened or sued upon in relation to intellectual property rights of others. Any such disputes, if arise and regardless of their merits, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources.

The risk of being subject to intellectual property infringement claims or disputes may heighten 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 business or products, if any such holders exist, would refrain from seeking such intellectual property rights against us. 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. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our core business and operations to address these infringement claims, regardless of their validity or merits. Successful infringement claims against us may result in significant liabilities, which may materially and adversely affect our business, financial performance and results of operations.

---

## RISK FACTORS

---

### **Our business depends on the impact of our “Zhou Liu Fu” brand.**

We consider our “Zhou Liu Fu” brand to be one of our most important assets in driving the sales of our jewelry products. The strength of our brand is based on our reputation for providing authentic and high-quality products with superior craftsmanship, complemented by consistent customer service across all of our stores. Our image is also shaped by our ability to control the perception of our brand, our product designs, materials used to make our products, presentation and quality of our products, image of our stores and effectiveness of our brand messaging.

Failure to manage any of the above factors or failure of our promotion and other activities to distinguish and further strengthen our brand could adversely affect the value and perception of our brand and image, as well as our ability to retain existing end consumers or attract new ones. In addition, any failure to maintain effective quality control over our products could adversely affect our reputation and brand. Should our brand or image deteriorate, we may face challenges in maintaining our current prices and/or sales volumes, introducing new products or entering new markets, which may materially and adversely affect our business, financial performance, results of operations and growth strategies.

### **We may fail to protect our intellectual properties or be subject to counterfeiting, imitation or other intellectual property infringement by third parties.**

Our ability to sell our jewelry products relies on the strength and reputation of our brand and products. We rely on intellectual property laws in China and other jurisdictions to protect our brand and intellectual property. As of the Latest Practicable Date, we registered 257 registered trademarks, 713 patents, 696 copyrights, 18 software copyrights and three domain names in China and 97 registered trademarks overseas to protect our authenticity. However, we cannot assure you that we can successfully renew the trademark registration beyond expiration of our trademarks or continue to maintain the effectiveness of our registered trademarks. In such event, we may no longer be able to use such trademarks in our business or become prohibited from manufacturing or selling products under such trademarks, and our business, financial performance and results of operations will be materially and adversely affected. Failure to obtain these trademarks in time may affect our brand, our products and our operations which may result in loss of our end consumers and damage of our reputation, which may in turn materially and adversely affect our business, financial performance and results of operations.

In addition, we may be subject to counterfeiting and imitation by external parties who manufacture and market their products under “copycat” brand names and trademarks that closely resemble ours. While we undertake rigorous measures to protect our intellectual property rights, we cannot assure you that such counterfeiting or imitation will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively or promptly. Any occurrence of counterfeiting or imitation of our brands or products or other breaches of our intellectual property rights could adversely affect our reputation and brand name and erode consumer confidence in our brand. For example, unauthorized access to or leakage of details of our designs prior to our product launch could result in pre-emptive marketing of copycat products, which could materially and adversely affect our brand name, sales and profitability.



---

## RISK FACTORS

---

Any legal action to enforce our rights and address infringements would entail significant expenses and would divert our management’s attention as well as other resources away from our core business. We may have to bear the costs arising from such legal action to the extent we are unable to recover them from the infringing parties. Moreover, concerns about the quality of the counterfeiting products and challenges in distinguishing such counterfeiting brands or products from our brand and our authentic products may impair our reputation and brand value. As a result, our business, financial performance, results of operations and prospects may be materially and adversely affected.

**Our store network consists primarily of franchise stores operated by franchisees over whom we have limited control.**

We collaborate with our franchisees to build our sales network. As of December 31, 2021, 2022 and 2023, we had 3,694, 3,974 and 4,288 franchise stores, respectively, across over 31 provinces in China, accounting for 98.1%, 98.1% and 97.8% of our total number of stores, respectively. Our revenue from franchise model is derived from both sales of products to our franchise stores and service fees charged from our franchisees. For the years ended December 31, 2021, 2022 and 2023, our revenue from sale of products to our franchise stores amounted to RMB1,075.2 million, RMB843.2 million and RMB2,020.3 million, respectively, and our revenue derived from service fees charged amounted to RMB592.2 million, RMB797.8 million and RMB832.5 million, respectively. Our revenue and results of operations are significantly impacted by 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 continue to build new relationships with additional franchisees.

Our franchise agreements generally have a term of one year, which may be renewed upon mutual agreement. Our collaboration with our franchisees is governed by franchise agreements and we have a set of stringent criteria for selecting our franchisees including a thorough and systematic evaluation of their qualifications, store locations, industry experience, store management, among others. See “Business – Our Sales Network – Our Franchise Model – Selection of franchisees and approval of franchise store openings” for more details. Nevertheless, our ability to manage the activities of our franchisees may be limited, and our franchisees may take actions which could have a material adverse effect on our business, prospects and reputation, such as:

- breaching our agreements, such as unauthorized sales of third-party products in our franchise stores;
- failing to adequately promote our products;
- conducting inappropriate business and advertising activities;
- failing to provide proper training to their staff, thereby affecting the quality of services they provide; and
- violating applicable laws and regulations, including those on anti-money laundering, anti-bribery and competition.

## RISK FACTORS

---

Pursuant to our franchise agreements, franchisees are strictly required to sell only our products, including those finished products procured directly from us or our authorized suppliers, within our franchise stores. However, we cannot assure you that franchisees will refrain from violating their contractual duties by retailing third-party products within our franchise stores. In the past, there were instances where we became subject to intellectual property infringement disputes, product quality claims and negative publicity relating to unauthorized sales of third-party products by our franchisees. We require our franchisees to strictly adhere to our policies and guidance in respect of the sales and promotion of products. However, there is no guarantee that all our franchisees would strictly adhere to such policies and guidance when conducting their sales and promotion activities. During the Track Record Period, there were instances where it was alleged that our franchisees failed to explicitly explain the pricing of gold jewelry to the end consumers, resulting in customer complaints and negative media coverage. In the event of any of such violations by franchisees, our brand reputation, business, financial performance and results of operations would be materially and adversely affected.

Moreover, we may face difficulties in obtaining timely and accurate information on our franchisees’ sales and inventory levels, which is crucial for our sales forecasting and supply chain management. Franchisees may, either inadvertently or intentionally, overstock or report inaccurate sales data or order more products than they can sell to take advantage of purchasing incentives, leading to a false sense of market demand. Such practices are inconsistent with our business strategies and could distort our understanding of market dynamics and lead to an oversupply of goods, increased operating costs and excessive inventory in our sales network. The resulting discrepancy between actual consumer demand and perceived sales trends may impair our ability to make informed business decisions. Despite our regular review and update of our franchisee oversight procedures, there can be no assurance that these measures will be effective in preventing all instances of poor inventory management or channel stuffing among our franchisees, the occurrence of any of which could have a material adverse effect on our business, financial performance and results of operations.

We cannot assure you that they will comply with all of our policies and standards, which could lead to negative perception of our products. At the same time, we cannot assure you that our franchisees will always make decisions or take actions that are in our best interests, or refrain from any misconduct such as violation of laws or regulations, thereby harming our reputation, and causing diversion of our management resources to address the negative publicity or exposing us to potential claims and/or litigations from third parties. Such actions by our franchisees would harm our brand reputation.

---

## RISK FACTORS

---

**Our business is susceptible to fluctuation in prices of the raw materials that we use in our products.**

We use various raw materials for the production of our jewelry products, among which gold is the primary raw material. For the years ended December 31, 2021, 2022 and 2023, our procurement of gold raw materials accounted for approximately 84.5%, 89.7% and 96.9% of our total procurement of raw materials, respectively. In 2021, 2022 and 2023, our average gold procurement price was RMB332.0/g, RMB347.6/g and RMB401.0/g, exclusive of value-added tax, which was generally in line with the market prevailing prices. Our major raw materials are subject to price fluctuations. In particular, price of gold generally increased over the Track Record Period. According to Frost & Sullivan, the average annual spot price, inclusive of value-added tax, for Au9999 in China experienced an increase from RMB271.1/g in 2018 to RMB449.9/g in 2023 due to several factors, including the volatility in the global political and economic conditions and the strong demand for gold jewelry. See “Industry Overview – Price Analysis of Gold in the PRC” for more details.

Fluctuations in gold price are inherently difficult to predict, which depends on numerous factors beyond our control, including, among others:

- the demand and supply of gold;
- consumer preference and investor confidence in gold and gold industry;
- the fluctuations in currencies;
- demand for other investment alternatives; and
- international or regional political and economic events or trends.

We have not entered into any hedging arrangements. We generally manage our regular raw materials procurement and inventory in line with our regular operational needs and market conditions. We are generally able to pass the price fluctuation in raw material prices to our end consumers, but any significant fluctuation in raw materials prices may affect our revenue and cash flow, and significant price fluctuation may have an adverse impact on demand of our products. As a result, any significant price fluctuation of our raw materials may have an adverse effect on our business, financial performance and results of operations.

---

## RISK FACTORS

---

### **Failure to maintain effective pricing strategies and any downward changes in the prices of our products may have a material adverse effect on our business.**

Demand for our jewelry products is generally sensitive to price. Our approach to pricing our jewelry products has had, and may continue to have, a significant impact on our revenue and profit margin. The selling price of each of our jewelry products depends primarily on the costs of raw materials, the complexity of the product design and the costs of manufacturing and brand premiums. Our pricing strategies may not be effective in maintaining our profitability. In addition, our competitors’ pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. If we fail to meet our customers’ price expectations, or if we are unable to compete effectively with our competitors when they engage in aggressive pricing strategies and could not effectively adjust our cost structure due to potential downward changes in the prices of our products, it could have a material adverse effect on our business, financial performance and results of operations.

### **We collaborate with outsourced producers for the production of all of our products.**

During the Track Record Period, we collaborated with outsourced producers for the production of our products. We ceased production at our own factory in April 2022, and since then we have shifted to full outsourced production model. In 2021, 2022 and 2023, our outsourced production costs were approximately RMB156.5 million, RMB125.3 million and RMB147.2 million, respectively, accounting for 8.7%, 6.6% and 3.9% of our total cost of sales, respectively. See “Business – Production” for more details. Although we have set strict quality standards for outsourced production, as we have limited control over the operations of outsourced producers, we cannot ensure that they will adhere to our quality control policies and guidelines at all times. Any defect in, or any failure to adhere to quality standards with respect to, the products manufactured by our outsourced producers could subject us to liability or damage our reputation and the demand for the products we sell.

In addition, the ability of our outsourced producers to deliver the products we order on time can be negatively affected by various factors including, among others:

- significant shortage in manpower;
- significant unscheduled downtime at their facilities due to equipment breakdowns, power failures, weather conditions and so forth;
- being requested by relevant authorities to suspend production for rectification due to violation of labor, environmental protection, fire safety or other laws and regulations; and
- delays in delivery due to transportation shortages, work stoppages, infrastructure congestion or natural disasters.

---

## RISK FACTORS

---

The failure of our outsourced producers to deliver the products we order on time, or at all, may have a material and adverse effect on our ability to complete production schedules on time and maintain adequate inventories. Furthermore, we cannot assure you that our outsourced producers will fully comply with the applicable laws and regulations, such as labor and environmental laws. If there is any negative publicity regarding such non-compliance, our brand image may be damaged.

### **Our suppliers play a key role in the success of our business.**

Our top five suppliers mainly included Shanghai Gold Exchange and certain jewelry or jewelry material companies, from whom we procured raw materials and finished products during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, procurement from our top five suppliers amounted to approximately RMB1,456.7 million, RMB1,914.7 million and RMB3,689.0 million, respectively and accounted for approximately 73.2%, 77.8% and 88.5% of our total procurement, respectively.

Our suppliers are primarily concentrated in Shuibei, Luohu District, Shenzhen, a central hub for jewelry production and wholesale activities in China, according to Frost & Sullivan. This concentration renders us vulnerable to any significant adverse shifts in the social, economic or political landscape of this region, potentially impacting the availability and pricing of our essential raw materials and finished products. There is no assurance that we will be able to continue to source sufficient and high-quality supply of raw materials from any of our major suppliers. In the event that any of our major suppliers fails to meet our orders in a timely manner, offer us commercially acceptable terms or provide us with raw materials or products of the quality and quantity that we require or terminates their business relationship with us, we may encounter difficulties in sourcing sufficient gold and other raw materials and products from comparable alternative suppliers in a timely manner and on commercially acceptable terms or at all, and our business, financial performance and results of operations may be materially and adversely affected.

Furthermore, in addition to procuring goods from us, our franchisees are allowed to procure goods from our authorized suppliers, who may only sell certain category of products specified in the agreement between us and authorized suppliers. We have established stringent criteria for selection and admission of the authorized suppliers, including quality control standards and measures throughout the product admission process and mechanisms for overseeing and eliminating authorized suppliers that do not meet our requirements. See “Business – Our Sales Network – Our Franchise Model – The Authorized Supplier Model” for more details. However, there is no assurance that our measures and mechanisms will prove to be effective at all times. Any failure of us to impose proper and effective product control measures over authorized suppliers, especially during rapid business expansion, may result in product quality issues or intellectual property disputes, which could adversely affect our brand image, business, financial performance and results of operations.

---

## RISK FACTORS

---

### **Any quality issue related to our products could result in a loss of end consumers and sales.**

Our sustainable business growth and brand image rely on product quality. We have implemented stringent quality controls for all products sold in our stores, whether directly provided by us or sourced through our authorized suppliers by franchisees for sale in our franchise stores. We also provide product warranty policies, including return or exchange of products failing to meet the prescribed quality requirements. See “Business – Product Warranty and Customer Services” for more details. Any quality issue related to our products, whether directly provided by us or sourced through our authorized suppliers by franchisees for sale in our franchise stores, may give rise to claims and litigations, damage our reputation and result in negative publicity. Quality issues related to the products procured by our franchisees from unauthorized suppliers for sales in our franchise stores, even not being recognized as our products, will also damage our reputation and cause negative publicity of us. As a result, any quality issue may cause material adverse impact on our business, financial performance 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 end consumers and attracting new end consumers. Any quality issues of our products would make our end consumers lose confidence in us and reduce their purchase with us. Negative consumer feedback could harm our brand and reputation. If we fail to attract new end consumers or retain existing ones, our business, financial performance and results of operations could be adversely affected.

### **We may not be able to successfully compete in the jewelry industry.**

We face competition from jewelry retailers, many of whom possess well-established brand recognition, promising sales volume and loyal customer bases. China’s jewelry industry is becoming more and more concentrated. According to Frost & Sullivan, in 2023, the aggregate market share held by the five largest gold jewelry companies in terms of number of offline stores in China was 37.7%, up from 31.6% in 2018. If we fail to compete effectively against our competitors, we may not be able to maintain or expand our market share and profitability.

Our competitors may have certain advantages over us, including greater financial and technical resources, more secured sources of 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 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 devote heightened marketing efforts in order to compete effectively, such as more aggressive promotions or reduction of our retail prices. Such actions could have a material adverse impact on our business, financial performance 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 performance and results of operations.

---

## RISK FACTORS

---

**If we are unable to provide satisfactory customer services, our business and reputation may be materially and adversely affected.**

The success of our business depends on our ability to provide reliable and satisfactory customer services in a timely manner. Our customer service team plays an important role in fostering customer loyalty through continuous interactions with our stores and customers.

However, there is no guarantee that our customer services team can consistently provide satisfactory services to our customers. Our franchisees may provide their own customer services and after-sales services at their respective franchise stores, which we have limited control. Even though we have set up strict customer service procedures and standards at our franchise stores, our franchise may fail to provide satisfactory customer service. Any unsatisfactory services provided by our franchisees would impose negative publicity on us. In addition, there is no assurance that our current turnover rate of customer services staff will not increase, or the training provided to new staff will be sufficient to meet our standards, or that an influx of less seasoned personnel will not dilute the quality of our customer service. Additionally, there is also no assurance that we will be able to recruit customer services staff that meet our requirements. If we fail to provide satisfactory services to customers, our brand and customer loyalty may be adversely affected. Moreover, any negative publicity or feedback regarding our customer service may damage our reputation and in turn result in the loss of customers and market share.

**If our product design and development capabilities decline, our competitiveness and market share may be adversely affected.**

We have devoted substantial efforts in the development of our product design and development capability and may incur significant expenses in adapting to new requirements or specifications from our customers due to the requirement of new designs or products categories. Currently, our design and development efforts encompass both our internal capability and integrated external capacity, allowing us to introduce new designs in a timely manner that align with consumer demand. Nevertheless, our customers’ requirements, product specifications and market trends are subject to changes. Our competitors may introduce production techniques or enhance product design and development capability which are superior to ours in terms of costs, time and product quality, which would render our techniques or capacity out-of-date and our business uncompetitive. New designs may also be invented, which would render our existing designs out-of-date. Should any of these factors materialize, our business, financial performance and results of operations could be materially and adversely affected.

---

## RISK FACTORS

---

**We or our franchisees may not be able to find suitable locations for new self-operated stores or franchise stores on commercially acceptable terms, if at all.**

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

- the proximity between our stores;
- its convenience and accessibility to our target consumer groups (with considerations varying based on locations; for example, our stores may be more concentrated in higher-tier cities to make our products more easily accessible);
- the availability of space for our stores; and
- the competitive landscape in the vicinity.

For our self-operated stores, the term of our leases is typically two 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 rates. Going forward, as we aim to 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 discerned. Prime locations for new self-operated stores and franchise stores are 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 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 our stores in the localities we plan to expand into, our business and growth prospects will be adversely affected.

**We may not be able to maintain or renew the lease agreements or concession agreements of our self-operated stores with shopping malls.**

We entered into lease agreements or concession agreements with shopping malls for our self-operated stores. It is important to the operation of our business that our existing leases and concession agreements are maintained or renewed on terms acceptable to us. In recent years, property prices and rental related expenses in the cities in which we operate have fluctuated but have overall increased. In the event that we are unable to renegotiate or renew our leases or concession agreements on terms acceptable to us or such leases or concession agreements are terminated for any reason prior to their expiration, we will need to relocate the relevant stores to alternative premises. Any relocation of a self-operated store may cause disruptions to our business and may require significant expenditure. We cannot assure you that, in such cases, we will be able to find alternative suitable premises on commercially acceptable terms in a timely manner, or at all, which may result in the closure of such store. Furthermore, any disputes with the landlords of our self-operated stores could lead to termination of the leases or concession agreements or even legal proceedings and claims, which could negatively affect our business, financial performance and results of operations.



---

## RISK FACTORS

---

In addition, we cannot assure you that our self-operated stores will avoid losses or maintain a level of sales, profitability or growth consistent with historical patterns. In particular, as the term of the concession agreements with shopping malls is typically one to two years, we cannot assure you that the premises and location of our self-operated stores will remain attractive throughout our occupancy of the premises. In such cases, the sales and profitability of such self-operated stores may be materially and adversely affected, and, in the event that we decide to relocate the self-operated store, we may incur additional costs in terminating our lease or concession agreement, vacating the property and subsequently relocating the self-operated store.

### **A significant portion of our online sales in China depends on certain e-commerce platforms.**

We adopt two types of online sales model: (i) direct sales to end consumers via our self-operated e-commerce stores on platforms such as JD.com and Tmall and (ii) sales of our products to e-commerce platforms such as JD.com and VIP Shop for their subsequent resale to end consumers. Certain key e-commerce platforms may be owned, controlled by, or associated with, a limited number of technology companies. In 2021, 2022 and 2023, revenue from online sales amounted to RMB739.1 million, RMB1,072.1 million and RMB1,745.8 million, representing 26.6%, 34.6% and 33.9% of our total revenue during the same periods, respectively. As such, we may be subject to concentration and counterparty risks associated with our reliance on these key e-commerce platforms.

We cannot assure you that we will be able to maintain our relationships with key e-commerce platforms. These platforms are not obliged to continue to cooperate with us in the future at a level similar to the past, or at all. Should any of these key platforms terminate their business relationship with us, we may not be able to find new e-commerce platforms to compensate for such reduction in sales demand or loss of business. If our relationship with these key e-commerce platforms deteriorates, or if there is a perceived decline in the quality of service or general reputation of these platforms, our sales through these platforms may decrease. As a result, our business, financial performance, results of operations and prospects may be materially and adversely affected.

### **We may not be able to integrate and manage our online and offline sales channels.**

We sell our products through both offline stores and online channels. Acknowledging the diversity in online and offline consumer preferences, our product offerings vary across our offline and online stores. The success of our business depends on optimizing sales channels with the goal of providing a consistent level of customer satisfaction across all channels. In line with this goal, we have been progressively implementing initiatives over the Track Record Period to enhance the integration of our online and offline sales. In addition, we provide comprehensive after-sale customer services both online and offline. End consumers who purchased our products online can also seek certain after-sale services in our offline stores. However, we cannot assure you that these initiatives or any future initiatives will be successful in integrating and effectively managing our sales channels. Any failure of such integration efforts may affect our end consumers' shopping experience and therefore have a material influence on our business, financial performance and results of operations.

---

## RISK FACTORS

---

Our success depends partly on our ability to manage any overlap or potential competition among our different sales channels. See “Business – Our Sales Network – Measures to Avoid Channel Stuffing and Cannibalization” for measures to manage such overlap or potential competition. However, we cannot assure you that these measures will be effective. As a result, the growth and expansion of our sales network may not lead to proportionate increase 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 profitability, business, financial performance and results of operations.

**Our historical financial performance and results of operations may not be representative of our future performance.**

Our revenue increased from RMB2,783.1 million in 2021 to RMB3,101.7 million in 2022 and to RMB5,149.6 million in 2023. However, our historical growth rate may not be indicative of our future performance. As we plan to continue to expand our business through such as entering into new geographic markets and expanding our product offerings, we cannot assure you that we will be able to achieve similar results or grow at the same rate as we did in the past, or at all.

**Our future growth depends on our ability to successfully expand our store network, retain, maintain and attract franchisees and effectively manage our growth.**

Our future growth depends on the ability to expand our store network, attract new franchisees and achieve store profitability. As of December 31, 2021, 2022 and 2023, there were 3,694, 3,974 and 4,288 franchise stores, and 70, 78 and 95 self-operated stores in our offline network, respectively. The expansion of our store network may significantly increase the demand towards our management and operation, technology, employees and other resources, and requires us to maintain good relationships with the franchisees. We cannot assure you that all of our franchisees will maintain their business relationships with us. If the existing franchisees stop cooperating with us for any reasons, or if we fail to replace them with new franchisees in a timely manner, we will likely be unable to generate sufficient market presence, leading to insufficient demand of our products, thus affecting our profitability. The failure to maintain or further develop our collaborations with franchisees could adversely affect our business, financial performance and results of operations.

Moreover, our ability to attract new franchisees or existing franchisees to open new stores is crucial for our future success. In particular, we may need to compete with other jewelry brands or other franchisors in general for quality franchisees on grounds such as brand recognition and store profitability, among others. Failure to attract new and quality franchisees could hinder our store network expansion plan or overall store performance, which in turn may materially and adversely affect our growth and results of operations.

---

## RISK FACTORS

---

Our business plan for the growth in new stores may not be implemented as planned at all. Many factors that are out of our control could adversely affect our ability to achieve the expansion goals. For instance, we may face intense competition from industry competitors in aspects such as store locations. Furthermore, it takes time to apply for and obtain key licenses or permits from competent governmental authorities. All of these factors require extra attention and effort from our management and a significant amount of additional expenditures. Even if we manage to open more stores as planned, it would typically take a certain amount of time for the new stores to break even, or achieve profits similar to existing stores. Our results of operations and profitability may fluctuate depending on the development strategies and progresses of new stores. Our results of operations may be materially affected by the timing of opening new stores, which is affected by factors beyond our control. The actual timing of stores opening is also subject to the required time for us or our franchisees to obtain requisite pre-opening approvals, licenses and certificates. We may choose to close stores if we or our franchisees fail to obtain such approvals, licenses or certificates, or the stores perform unsatisfactorily or fail to meet our store operational standards. Any delay in new stores opening and/or closures of the existing stores will affect the store count, the operation days, as well as our results of operations. Therefore, the number and timing of opening of new stores has already, and may continue to have, a material effect on our profitability.

**We rely on our in-house and franchisees' sales and marketing force to promote our brand.**

Effective sales and marketing initiatives are crucial for us to increase the market penetration rate of our existing products, expand our brand recognition and effectively promote our new products in the future. 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.

We require our sales and marketing force to possess deep knowledge about jewelry products, 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.

Given the intense competition for experienced marketing, promotion and sales personnel, attracting and retaining qualified individuals is crucial to our business. A shortage of competent staff may materially and adversely affect our sales performance and plans for business growth and market expansion.

---

## RISK FACTORS

---

**Our risk management and internal control systems may not be adequate or effective.**

We have designed and implemented risk management and internal control systems in relation to our business operations, financial reporting and general compliance. See “Business – Risk Management and Internal Control” for more details. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees or other related third parties, such as our franchisees, are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial performance and results of operations could be materially and adversely affected.

**We may be subject to liability for in connection with our marketing and advertising activities.**

PRC laws and regulations prohibit companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations. We may be subject to claims by end consumers misled by information in our advertisements. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts, which may lead to diverting our management’s time and other resources from our business and operations to defend against these infringement claims. In addition, we regularly distribute articles, images and other content on our platform and our social media accounts. Although we have established procedures to review and verify the contents before publishing, we cannot guarantee that the contents published by us on our platform do not contain any information that may be deemed inappropriate or misleading or be deemed as infringing on or otherwise violating trademarks, patents, copyrights, software copyrights, domain names or other intellectual property rights of third parties. As a result, we may be subject to disputes, actions or claims by or with such third parties. We have in the past been involved in litigations based on allegations of infringement of intellectual property of third parties, including image rights, as a result of the content available on our social media accounts. As a result, our business, financial performance and results of operations could be materially and adversely affected.

---

## RISK FACTORS

---

**Future changes in the online marketing industry and consumer behavior may adversely affect our sales through online channels.**

The future growth of our online sales depends on our ability to continue attracting online consumers and acquiring new purchasers from various online channels and increase traffic to our websites and social media platforms. We believe that maintaining a strong online presence helps improve our brand visibility and awareness. However, we may not be successful in any of these respects. For example, the consumer traffic on our online sales channels relies on our advertising and promotional efforts put into the e-commerce platforms, which may be costly or fail to have satisfactory outcomes. The success of our online sales also depends on a number of factors relating to the online marketing industry and consumer behavior, including:

- consumer traffic on e-commerce platforms generally and our ability to increase the consumer traffic on our online stores and on the e-commerce platforms we engage;
- our ability to respond to the changes in internet and mobile penetration, as well as the online marketing industry in China;
- the reliability of the independent e-commerce platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

In addition, a decline in the popularity of online shopping in general or our failure to identify or respond to trends or consumer requirements in our online channels could result in a decreased number of online consumers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial performance, results of operations and prospects.

**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.**

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

---

## RISK FACTORS

---

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 lease agreement 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 and our business, financial performance and results of operations would be materially and adversely affected. Additionally, as of the Latest Practicable Date, we had certain leased properties whose actual usage were not consistent with the usage stated in the ownership certificates of the premise they located. We may face the risk of (i) being expelled from such properties and (ii) being fined by the relevant government authorities. Besides, our business operations are subject to fire safety laws in the PRC. We may be exposed to potential costs for compliance and liabilities related to fire safety laws or regulations. Any failure to comply with these laws or regulations could materially and adversely impact our business, financial performance and results of operations.

### **The nature of gold jewelry products business exposes us to inventory security and transport risks.**

Our business is prone to theft and robbery by external parties, and at times, internal employees due to the high value of products and raw materials. Although we have implemented various measures to ensure the security of our main raw materials, such like gold and diamond, there is no guarantee that any measures which are implemented will be adequate or effective. 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.

We deliver most of our products from our authorized suppliers/exhibition halls to stores or end consumers via third-party logistics service providers. See “Business – Logistics” for more details. Disputes or terminations in contractual relationships with one or more of our logistics service providers could result in delayed delivery of products or increased costs. We cannot assure you that we will be able to continue our relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers. Any failure to maintain or develop good relationships with logistics service providers may inhibit our ability to offer products in sufficient quantities, on a timely basis or at prices acceptable to our customers.

As we do not have any direct control over our logistics service providers, we cannot guarantee the quality of their services. Delay in delivery, damage to products or other issues may cause us to lose customers and sales and our brand image may be tarnished. Any breakdown in our relationships with our preferred logistics service providers or deficiencies in the services they provide may materially and adversely affect our business, financial performance and results of operations.

## **RISK FACTORS**

---

### **Our business relies on the proper operation of our IT systems.**

We rely on our information technology systems that allows our various departments to function with effectiveness and to facilitate the collection, management and analysis of data. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our information systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems in place and engage cloud service providers for cloud storage of data, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and, as a result, may strain our ability to manage our future growth.

### **We are subject to cybersecurity risks during our daily operations.**

We are at risk for interruptions, outages and breaches of operational systems owned by us or our third-party vendors or suppliers. Such cyber incidents could materially disrupt operational systems; result in, among others, loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain operational data. A cyber incident could be caused by disasters, malicious insiders or third parties using sophisticated, targeted methods to circumvent firewalls, encryption and other security defenses, including hacking, fraud, trickery or other forms of deception. The techniques used by cyber attackers change frequently and may be difficult to detect for long periods of time.

Our information technology measures designed to protect us against those incidents will require updates and improvements, and we cannot guarantee that such measures will be adequate to detect, prevent or mitigate cyber incidents. The implementation, maintenance, segregation and improvement of these systems requires significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems. Therefore, we cannot be sure that the systems upon which we rely will be effectively implemented, maintained or expanded as planned. In that case, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information or intellectual property could be compromised or misappropriated and our reputation may be adversely affected.

---

## RISK FACTORS

---

### **We depend on the continued service of our management team and other key employees.**

Our future success is dependent upon the continued service of our senior management, such as Mr. Li Weizhu, our founder, chairman of the 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. Our success also depends on the efforts and abilities of our design 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 find suitable or qualified replacements, and we may incur additional expenses to recruit new senior management team members and key employees, 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.

Given the competitive landscape for qualified personnel in the jewelry 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 performance and results of operations could be materially and adversely affected.

### **Any negative publicity regarding our brand or products could materially and adversely affect our sales and reputation.**

Negative publicity about our brand or our jewelry products, including possible defects of the products, even without our fault, our service quality, our brand, our management and other aspects of our business operations may arise from time to time. Customer feedback, public commentary or complaints about our products, our franchisees and other aspects of our business on social media platforms may disseminate negative information concerning us. For example, during the Track Record Period, our end consumers posted certain complaints on third party complaint channels, such as “Black Cat” platform, with respect to the unsatisfactory customer services provided at certain of our franchise stores. Those comments or complaints, regardless of their accuracy, 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 performance and results of operations.



---

## RISK FACTORS

---

**Our failure to recover a significant portion of our trade receivables in a timely manner may have a material adverse effect on our business, financial performance and results of operations.**

We generate trade receivables in the ordinary course of business. Our trade receivables primarily consist of receivables due from counterparties, especially from our franchisees, the e-commerce platforms that resell our products to end consumers and shopping malls under the concession arrangements. Typically, we do not provide any credit period to franchisees. We may grant a credit period ranging from 15 to 30 days to certain franchisees and a credit period ranging from 30 to 60 days to certain premium or strategically important franchisees. Credit periods extended to these franchisees are subject to a monetary limit. As for the e-commerce platforms that resell our products to end consumers and shopping malls under the concession arrangements, we settle payment with them according to respective cooperation agreements on a monthly basis. As of December 31, 2021 and 2022 and 2023, our trade receivables was RMB207.5 million, RMB231.1 million and RMB238.4 million, respectively. See “Financial Information – Selected Balance Sheet Items – Current Assets and Liabilities – Trade Receivables” for more details. In the event that our trade receivables increase significantly, and we fail to collect these receivables in a timely manner, our financial performance and business operations may be materially and adversely affected.

**Our insurance coverage may not cover all losses.**

Different types of insurance policies are maintained to secure our business continuity. However, 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 performance 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.

**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. We collect customer data, primarily including their surname, gender and mobile phone, and have built our own customer data base. In accordance with the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), 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 Information 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 performance and results of operations. The Personal Information 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.

---

## RISK FACTORS

---

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 may also disclose or use information about our consumers illegally. Although we do not believe that we will be held responsible for any such illegal activities, any negative publicity on our IT system’s or online sales channels’ safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation.

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 performance and results of operations.

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

Labor cost increases may cause our costs of sales to increase, and we may not be able to pass on such increase to our customers. A portion of our products are designed and developed using our internal expertise, requiring skilled craftsmanship and experienced labor. We cannot assure you that we will not experience any shortage of labor. 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 performance and results of operations.

We seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience, and development of our employees. See “Business – Employees” for more details. We cannot assure you that we will not have any labor disputes in the future. Any deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

---

## RISK FACTORS

---

**Non-compliance with labor-related laws and regulations of the PRC may have an adverse impact on our business, financial performance and results of operations.**

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. Under the Regulations on the Administration of Housing Provident Fund, for the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit.

During the Track Record Period, we did not fully pay certain social insurance and housing provident fund for our staff in China and such non-payment is a non-compliance with the related PRC laws. See “Business – Legal Proceedings and Compliance” for more details. 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.

In addition, we engaged third-party human resource agencies to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period. We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agencies failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities.

**Our business and financial performance are exposed to risks related to completed, in progress or potential acquisitions or strategic partnerships.**

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights 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;
- breach of the covenants under our loan agreements;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;

---

## RISK FACTORS

---

- 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;
- failure to complete the integration with the acquisition target due to associated risks related to acquisition target, such as the non-compliance risk;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and product candidates and regulatory approvals; and/or
- our inability to generate revenue from acquired brands 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.

**We may fail to effectively detect or prevent illegal or improper activities committed by our Directors, Supervisors, senior management, employees, franchisees or other third parties.**

We may be exposed to illegal or improper activities, including fraud, bribery, money laundering or other misconduct, committed by our Directors, Supervisors, senior management, employees, franchisees or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, money laundering and other misconduct involving Directors, Supervisors, senior management, employees, franchisees or other third parties that had a material and adverse impact on our business, financial performance and results of operations. However, we cannot assure you that there will not be any such instances in future and we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include undetected past acts or future acts, may have a material and adverse effect on our business, financial performance and results of operations.

---

## RISK FACTORS

---

**There are risks related to the payment methods through third party channels.**

Consumers may purchase products at our stores using a variety of payment methods through third-party payment channels, including WeChat Pay, Alipay and Union Pay, and there are certain risks in relation to the foregoing payment methods, including but not limited to the following:

- the service fees paid to payment service providers may increase over time;
- there might be incidents of fraud, security breaches and other illegal activities in those payment methods; and
- there might be fines, increased expenses or the loss of ability to use payment methods if our stores fail to comply with rules, regulations and requirements governing electronic funds transfers.

In addition, we do not have control over the security measures of third-party online payment platform service providers. Security breaches of the online payment platforms could result in litigation and possible liability for failing to secure confidential user information and could damage our reputation. Any leak of confidential information, breach of network security or other misappropriation or misuse of personal information could cause interruptions in the business operation of our stores and subject them to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

**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.

---

## RISK FACTORS

---

**Our Directors, Supervisors, senior management, employees and franchisees 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, our current or past Directors, Supervisors, 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. Any claims, disputes or legal proceedings initiated by or brought against our current or past Directors, Supervisors, 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.

Further, there may be various litigation and regulatory risks related to our franchisees and the franchise stores they operate, including but not limited to consumer complaints, personal injuries, litigation initiated by employees due to contractual dispute, non-compliance with the applicable laws and regulations and so on. These claims, disputes and other legal proceedings may become associated with us and our brand and hence adversely affect our brand image and reputation.

**Natural disasters and public health and public security hazards in the PRC may severely disrupt our business and operation.**

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as monkeypox, swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. In recent years, there have been breakouts of epidemics in and outside China. Our business operations could be disrupted if any of our employees is suspected of having H1N1 flu, avian flu or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese or global economy or our business environment in particular. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions we have operations could materially disrupt our business and operations. These events could also significantly impact our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial performance and results of operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy in general. Our operations could also be severely disrupted if our suppliers, customers, third-party business partners and service providers were affected by natural disasters, health epidemics or other outbreaks.

---

## RISK FACTORS

---

### RISKS RELATING TO OUR FINANCIAL POSITION

**Our new self-operated stores or franchise stores may not achieve our expected level of profitability within our desired time frame, or at all.**

As of December 31, 2023, we had 95 self-operated stores and 4,288 franchise stores. As part of our growth strategy, we plan to establish more self-operated stores and franchise stores within both our current operational regions and in new areas where our footprint is limited or nonexistent. Opening new stores requires significant capital outlays upfront, including the purchase of inventory, and the hiring and training of managers and sales staff. We or our franchisees may not have sufficient operation cash flow to conduct proper sales and marketing activities to generate sales. Our self-operated stores opened during the Track Record Period recorded an average initial breakeven period of five months and investment payback period of 15 months. See “Business – Our Sales Network – Our Self-operated Stores – Performance of Our Self-Operated Stores” for more details. Nevertheless, stores may not achieve our expected level of profitability within the projected timeframe, or at all, due to a variety of factors, including, among others, (i) our ability to properly position our new self-operated stores and franchise stores and to execute our business strategy in the locality, (ii) actions 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 beyond our control.

We or our franchisees may not successfully conduct business in accordance with our expectations and standards. If our new stores do not break even or achieve expected level of profitability within expected timeframe, or at all, our expansion plan might be hindered, and our profitability may be adversely affected as a result of decrease in sales at our self-operated stores or our franchise stores’ purchases from us.

**Our net cash flow from operating activities may be lower than the net profit for the same periods.**

For the years ended December 31, 2021, 2022 and 2023, our net cash flow from operating activities amounted to RMB490.7 million, RMB138.9 million and RMB403.9 million respectively, accounting for 115.3%, 24.2% and 61.2% of the profit for the same periods, respectively. Our net cash flow from operating activities, as a percentage of net profit, was relatively low during the Track Record Period, primarily attributable to the increased cash outflows resulting from the expansion of inventory, particularly from e-commerce business, with the exception of 2021, which was due to the adjustment in fee policies for our franchise stores, leading to a substantial inflow of cash from one-time advance service fee payments. See “Financial Information – Liquidity and Capital Resources – Cash Flow Analysis” for more details.

Our future expansion of self-operated stores and e-commerce business may further increase operating cash outflow. Consequently, the net cash flow generated from operating activities could continue to be lower than the net profit for the same period, which would limit our ability to repay debts and results in material adverse effect on our business, financial performance and results of operations.

---

## RISK FACTORS

---

### **We may fail to maintain optimal inventory levels and ensure the security of our inventory.**

Maintaining optimal inventory levels is critical to the success of our business. Our inventory primarily consists of finished goods, raw materials, work-in-progress and goods in transit. As of December 31, 2021, 2022 and 2023, the balance of our inventory was RMB1,246.4 million, RMB1,614.7 million and RMB1,912.7 million, respectively. During the respective years, our inventory turnover days were 237 days, 275 days and 169 days, respectively. See “Financial Information – Selected Balance Sheet Items – Current Assets and Liabilities – Inventories” for more details.

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, 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, rather than adjusting purchases based on gold price fluctuations. 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 business, financial performance and results of operations. On the other hand, insufficient inventory level may cause us delay in production and delivery, and lose sales to our competitors. We cannot assure you our or our franchisees’ inventory would be always sufficient for future sales and business. 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 at our warehouse pending delivery to or pick up by our customers. We also have goods in transit that have been delivered to our franchisees. Accidents such as theft, fire, explosion, smoke, water damage, weather damages and other natural disasters may cause damage to these inventories and adversely affect our ability to supply products to our stores and franchisees and customers 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 performance and results of operations may be adversely affected.

### **Discontinuation of any government grants or preferential tax treatments or other unfavorable changes in tax law could result in additional compliance obligations and costs.**

We have historically received government grants in the form of subsidies as financial support and incentives from local governments. For the years ended December 31, 2021, 2022 and 2023, we recognized government grants as other income of RMB13.3 million, RMB22.7 million and RMB19.5 million, respectively. See “Financial Information – Review of Historical Results of Operation – Other Income and Gains” for more details.



---

## RISK FACTORS

---

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 relevant government policies, the availability of funding at different granting authorities and the design 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 performance and results of operations.

### **We are subject to various risks relating to Third-Party Payment Arrangements.**

During the Track Record Period, certain of our franchisees (individually or collectively, the “**Relevant Franchisee(s)**”) settled payments with us through accounts of third-party payors designated by these Relevant Franchisees (such arrangements, the “**Third-Party Payment Arrangements**”). Such third-party payors primarily consisted of persons affiliated with the Relevant Franchisees, such as their business operators (for Relevant Franchisees in the form of sole proprietorships) and other types of third-party payors (including legal representatives of corporate Relevant Franchisees, or other affiliates of Relevant Franchisees). See “Business – Our Customers – Third-Party Payment Arrangements” for details.

We are subject to various risks relating to such Third-Party Payment Arrangements, including: (i) possible claims for return of funds from third-party payors who were not contractually indebted to us; (ii) potential risks arising from the fact that we have limited knowledge about the source and purpose of the funds utilized by the third-party payors; and (iii) possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect of any payments under the Third-Party Payment Arrangements, we may have to spend financial and managerial resources to defend against such claims or legal proceedings, and our financial condition and results of operations may be adversely affected.

---

## RISK FACTORS

---

### **We require stable working capital for our operations.**

In order to further expand our business, develop new jewelry products and remain competitive, we may require additional capital to be expended in our operations. In particular, the procurement of gold and diamond is capital intensive and necessary for our organic business expansion. 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 performance, 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 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 performance and results of operations.

### **We have incurred and may continue to incur share-based compensation expenses.**

We have established the stock incentive plan for the benefit of certain of our employees in order to recognize their contributions to the growth and development of our Group and incentivize them to further promote the development of our Group. See Note 28 to the Accountants’ Report in Appendix I to this document for more details.

Share-based payment expenses recognized amounted to RMB5.8 million, RMB7.4 million and negative RMB1.0 million in 2021, 2022 and 2023, respectively. To further incentivize our employees, we may incur additional share-based payment expenses in the future. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a negative effect on our financial performance. Issuance of additional H Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the value of our [REDACTED].

---

## RISK FACTORS

---

### RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

**Adverse changes in economic, political and social conditions, could have a material adverse effect on our business and prospects.**

We are headquartered in Shenzhen, China and substantially all of our revenue is derived from our businesses in China. Accordingly, our business, financial performance, results of operations and prospects may be influenced by the economic, political and social conditions in China. China’s jewelry market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demand and discretionary spending. The PRC government has implemented various measures to encourage, and to guide, the economic growth and the allocation of resources, some of which may result in uncertainties to us.

**Our operations in China are governed by PRC laws and regulations.**

Our operations in China are governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value.

There has been remarkable progress in improving PRC legal system, including promulgating laws and regulations related to economic affairs and matters, among others. However, many of these laws and regulations are relatively new, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business. We are required to timely respond to and fit in the regulatory environment in China, otherwise our business could be materially affected, and our ability to continue our operations could be impeded.

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

If it is determined that we are subject to any filing or other authorization or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events while we fail to complete such filing or meet such requirements in a timely manner or at all, we may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

---

## RISK FACTORS

---

### **We may be subject to additional cybersecurity regulations, reviews or inspections by government authorities.**

We collect certain information from our consumers for operation and transportation purposes. Our business is subject to various laws and regulations in China associated with data processing, such as the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), the PRC Data Security Law (《中華人民共和國數據安全法》) and the Measures for Cyber Security Review (《網絡安全審查辦法》). Although we have implemented stringent internal control policies, we cannot ensure that our data may not be abused by our employees or leaked by intention or negligence to third parties, which may cause damage to our consumers. The possibility of additional cybersecurity regulations, reviews, or inspections by governmental authorities further underscores the importance of compliance. Any failure or perceived failure to comply with data privacy, protection and information security laws with respect to the collection, use, storage, retention, transfer, disclose and other processing of data, may result in negative publicity, claims, litigation or investigations imposed by applicable authorities, and materially and adversely affect our business, financial performance and results of operations.

### **If we fail to retain or renew our requisite approvals, licenses and permits in time, we may not be able to maintain or expand our business operations.**

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. We are required to obtain and maintain certain certificates, licenses, approvals and permits, and to complete various registrations or filings, including, but not limited to, business license and commercial franchising filing in order to conduct our business. These operating certificates, licenses, approvals and permits are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organizations. See “Regulatory Overview” and “Business – Licenses, Approvals and Permits” for more details. Complying with government regulations on these approvals, licenses, permits, registrations or filings may require substantial expense, and any non-compliance may expose us to penalties. Further, some of the certificates, licenses, approvals and permits that we had obtained during the Track Record Period and as of the Latest Practicable Date may only be valid for a limited period of time and may be subject to periodic review and renewal by government authorities or relevant organizations. In addition, the standards of compliance required in relation thereto may change in the future. As advised by our PRC Legal Advisors, if we fail to adjust in a timely manner to ensure compliance with new changes in the PRC law and regulations, we may be exposed to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our certificates, licenses, approvals and permits, and our operations may be hindered or halted, which could have a material and adverse effect on our business, financial performance and results of operations.

---

## RISK FACTORS

---

**Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].**

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

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

**Our operations are subject to PRC tax laws and regulations.**

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

## RISK FACTORS

### Holders of our H Shares 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 realized upon the sale or other disposition of H Shares.

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 PRC (《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 (“HKSAR”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) issued by the SAT 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 PRC (《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 H Shares 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, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares 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%. 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 H Shares may be materially affected.

---

## RISK FACTORS

---

**You may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors and senior management.**

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our H Shares on the Stock Exchange, the holders of H Shares 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 the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

**Any failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes a [REDACTED] company upon the completion of the [REDACTED]. Failure to complete SAFE registrations may subject them to fines and legal sanctions. In light of the above, we cannot assure you that we will continuously adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

---

## RISK FACTORS

---

### **We are subject to anti-corruption, anti-bribery or anti-money laundering and other relevant laws and regulations.**

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. Although we perform compliance processes and maintain internal control systems, we may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial performance and result of operations. If any of our subsidiaries, operating entities, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial performance and results of operations.

### **RISKS RELATING TO THE [REDACTED]**

**No public market currently exists for our H Shares. An active [REDACTED] for our H Shares may not develop and the [REDACTED] and [REDACTED] of our H Shares may be volatile.**

Prior to the [REDACTED], there has been no public market for our H Shares. The [REDACTED] range for our H Shares was the result of negotiations between us and the [REDACTED] for themselves and on behalf of the [REDACTED], and the [REDACTED] may differ significantly from the [REDACTED] for our H Shares following the [REDACTED]. We have applied for [REDACTED] of, and permission to [REDACTED] in, our H Shares on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED] or that the [REDACTED] of our H Shares will not decline following the [REDACTED]. Furthermore, the [REDACTED] and [REDACTED] of our H Shares may be volatile. The following factors may affect the [REDACTED] and [REDACTED] of our H Shares.

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies in our industry and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.



---

## RISK FACTORS

---

Moreover, the capital market has from time to time experienced significant [REDACTED] and [REDACTED] fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the [REDACTED] and [REDACTED] of our H Shares.

**Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] of our H Shares begins.**

The [REDACTED] of our H Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the H Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [REDACTED]. As a result, [REDACTED] may not be able to [REDACTED] or otherwise [REDACTED] in the H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the H Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of [REDACTED] and the time [REDACTED] begins.

**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 interest) approximately [REDACTED]% of the voting rights 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 H Shares as part of a sale of us and might reduce the price of our H Shares. 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 H Shares in the [REDACTED] following the [REDACTED] could materially and adversely affect the [REDACTED] of our H Shares.**

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

---

## RISK FACTORS

---

Our Unlisted Shares may be converted into H Shares, and such converted H Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant Chinese regulatory authorities, including the CSRC, shall have been obtained (the “Arrangement”). In addition, such conversion, [REDACTED] and [REDACTED] shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to Unlisted Shares. All of our Unlisted Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Stock Exchange.

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

As the [REDACTED] of [REDACTED] is higher than the net tangible book value per share of our Shares immediately prior to the [REDACTED], purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution. In order to expand our business, we may consider 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 no experience operating as a public company, and we may incur increased costs as a result of becoming a [REDACTED] company.**

We have no experience conducting our operations as a public company. After we become a [REDACTED] company we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a [REDACTED] company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

In addition, since we are becoming a [REDACTED] company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to [REDACTED] companies, including requirements relating to corporate governance, [REDACTED] standards and securities and [REDACTED] relationships issues. As a [REDACTED] company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

---

## RISK FACTORS

---

**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.**

We declared and paid dividend of RMB150.1 million in 2021 and a dividend of RMB300.3 million in 2023, respectively. In March 2024, we declared a dividend of RMB347.9 million, which was fully paid in April 2024. In May 2024, we declared a dividend of RMB296.6 million, among which, RMB20.0 million has been paid in June 2024 and the rest is expected to be fully paid before the completion of the [REDACTED]. As of the Latest Practicable Date, we did not have a fixed dividend distribution ratio.

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. 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.

**Certain facts, forecast and other statistics in this document obtained from publicly available sources 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. However, our Directors cannot guarantee the quality or reliability of such sources. 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 advisors. 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.

## RISK FACTORS

---

**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, prospective [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.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

Our Group’s business operations and assets are primarily located in the PRC. None of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong. As a result, we do not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Furthermore, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate the existing PRC based executive Directors to Hong Kong.

Accordingly, our Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements, which are in line with the conditions set out in Chapter 3.10 of the Guide:

- (i) our Company has appointed Mr. Xie Mingyu (謝明育) (“**Mr. Xie**”), an executive Director and Ms. Yung Mei Yee (翁美儀) (“**Ms. Yung**”), one of the joint company secretaries of our Company, as the authorized representatives of our Company (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as our Company’s principal channel of communication with the Stock Exchange. The Authorized Representatives can be readily contactable by phone and email to promptly deal with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters within a reasonable time frame upon the request of the Stock Exchange. The contact details of the Authorized Representatives have been provided to the Stock Exchange;
- (ii) each of the Authorized Representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each Director has provided, where available, his or her respective office phone numbers, mobile phone numbers and email addresses to the Authorized Representatives and the Stock Exchange;
- (iii) our Directors, who are not ordinarily resident in Hong Kong, possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

- (iv) our Company has appointed Fosun International Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules. Our Company’s Compliance Advisor will act as our Company’s additional and alternative channel of communication with the Stock Exchange during the period from the [REDACTED] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [REDACTED], and its representatives will be readily available to answer enquiries from the Stock Exchange; and
- (v) meetings between the Stock Exchange and our Directors will be arranged through the Authorized Representatives or our Compliance Advisor or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives and our Compliance Advisor in accordance with the Listing Rules.

### WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience and is therefore capable to discharge the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing “relevant experience,” the Stock Exchange will consider the followings of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Chapter 3.10 of the Guide, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of [REDACTED] and on the following conditions:

- (a) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the waiver period; and
- (b) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

Our Company has appointed Mr. Wu Yang (吳陽) (“**Mr. Wu**”) and Ms. Yung, as the joint company secretaries of our Company to jointly discharge the duties and responsibilities of company secretary of our Company with reference to their work experience and qualifications. Mr. Wu is currently the Board secretary. He joined the Company in March 2018. For further biographical details of Mr. Wu, see “Directors, Supervisors and Senior Management – Senior Management”. Although Mr. Wu does not possess the qualifications set out in Rule 3.28 of the Listing Rules, our Company has appointed him as one of the joint company secretaries of our Company taking into account his experience in corporate governance matters, investment and financing related matters, information disclosure, investor relationship and corporate secretarial affairs. Our Company considers that apart from being able to meet the professional qualification or the relevant experience requirements under the Listing Rules, our company secretary also needs to have (i) experience relevant to our Company’s operations; (ii) nexus to the Board; and (iii) close working relationship with the management of our Company, in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a board secretary and is familiar with our Company’s business and affairs as a company secretary. Ms. Yung has been appointed as the other joint company secretary of our Company with effect from the [REDACTED] to assist Mr. Wu in discharging the duties of a company secretary of our Company. Ms. Yung is a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. For further biographical details of Ms. Yung, see “Directors, Supervisors and Senior Management – Joint Company Secretaries”. Furthermore, given that the primary business operations of our Group are located in the PRC, we believe that it would be in the best interests of our Company and our corporate governance to have Mr. Wu, who possesses the relevant background and experience in the PRC, to act as our joint company secretary.

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

Accordingly, whilst Mr. Wu does not possess the qualifications required of a company secretary under Rules 3.28 and 8.17 of the Listing Rules, based on the above reasons, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [REDACTED] on the conditions that: (a) Mr. Wu will be assisted by Ms. Yung, as a joint company secretary of our Company who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules, throughout the waiver period of three years from the [REDACTED]; and (b) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. Further, Mr. Wu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of, among others, the Listing Rules during the waiver period from the [REDACTED]. Our Company will further ensure that Mr. Wu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Prior to the expiry of the initial three-year period, our Company will re-evaluate the qualifications and experiences of Mr. Wu and liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Wu, having had the benefit of Ms. Yung's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver would not be necessary.

### **WAIVER IN RELATION TO PUBLIC FLOAT**

Rule 8.08 of the Listing Rules requires that there must be an open market in the securities for which listing is sought. Under Rule 8.08(1)(a) of the Listing Rules, this will normally mean that at least 25% of the issuer's total issued share capital must at all times be held by the public. However, under Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, at its discretion, accept a lower percentage between 15% and 25% in cases where:

- (i) the issuer will have an expected market capitalization at the time of listing of over HK\$10 billion;
- (ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;
- (iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;
- (iv) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and
- (v) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.



---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules and that the minimum percentage of the Shares from time to time held by the public will be the higher of: (i) [REDACTED]%, being the percentage of Shares held by the public upon completion of the [REDACTED] (where the [REDACTED] is not exercised) and (ii) such percentage of Shares held by the public after the full or partial exercise of the [REDACTED].

In support of the application, we confirmed to the Stock Exchange that:

- (a) based on the low end of the indicative [REDACTED] range of HK\$[REDACTED], the market capitalisation of the Company will be approximately HK\$[REDACTED] immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), which exceeds the minimum level as required under Rule 8.08(1)(d) of the Listing Rules, and therefore satisfies the market capitalisation requirement for a lower public float;
- (b) there will be an open market in the Shares and that the number of Shares concerned and the extent of their distribution would enable the market to operate properly with only [REDACTED]% of the total number of issued Shares of our Company in public hands (assuming the [REDACTED] is not exercised) from time to time;
- (c) we will undertake to make appropriate disclosure of the lower prescribed percentage of public float of our Company in this document and to confirm the sufficiency of the public float in successive annual reports after [REDACTED]; and
- (d) we will comply with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of [REDACTED]. We will also implement appropriate measures and mechanisms to ensure continuous maintenance of the minimum percentage of public float prescribed by the Stock Exchange.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

[REDACTED]

---

**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Mr. LI Weizhu (李偉柱)	21B, Building 2, East County, Sinolink Garden No.38 Tai Ning Road Luohu District, Shenzhen Guangdong PRC	Chinese
Mr. LI Weipeng (李偉蓬)	8D, Building 26, Baishida II Tai'an Road Luohu District, Shenzhen Guangdong PRC	Chinese
Mr. XIE Mingyu (謝明育)	2A, Building 8, Luyin Cuidi No.1 Pengxing Road, Liantang Luohu District, Shenzhen Guangdong PRC	Chinese
Mr. ZHONG Xipeng (鐘錫鵬)	6-502, Xinganghong Garden Luohu District, Shenzhen Guangdong PRC	Chinese
<b>Non-executive Director</b>		
Ms. ZHONG Yingqin (鐘映琴)	21B, Building 2, East County, Sinolink Garden No. 38 Tai Ning Road Luohu District, Shenzhen Guangdong PRC	Chinese



**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Independent non-executive Directors</b>		
Mr. LAU Kwok Fan (劉國勳)	Flat C605, 6/F Cheung Chi House Cheung Wah Estate Fanling, New Territories Hong Kong	Chinese (Hong Kong)
Ms. YANG Lan (楊嵐)	404, Fairyland Court Xianhu Mingyuan No.66 Huacui Street Tianhe District, Guangzhou Guangdong PRC	Chinese
Mr. GUO Qiuquan (郭秋泉)	1801, Zonghe Building, Phase I Yinxingzhijie Guanlan Street Longhua District, Shenzhen Guangdong PRC	Chinese

**SUPERVISORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Ms. LIN Liuzhi (林柳芝)	301, Unit 1, Block 16, Songquan Villa No. 4012 Taibai Road Luohu District, Shenzhen Guangdong PRC	Chinese
Ms. LI Caiping (李彩平)	10A, Sun New City Taibai Road Luohu District, Shenzhen Guangdong PRC	Chinese
Mr. NI Xuepeng (倪學鵬)	F1806, Park Apartment Buji Street Longgang District, Shenzhen Guangdong PRC	Chinese

For details with respect to our Directors and Supervisors, see “Directors, Supervisors and Senior Management” in this document.

---

**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**PARTIES INVOLVED IN THE [REDACTED]**

**Joint Sponsors**

**China International Capital Corporation Hong Kong Securities Limited**

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

**China Securities (International) Corporate Finance Company Limited**

18/F, Two Exchange Square

Central

Hong Kong

[REDACTED]

---

**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

[REDACTED]

**Legal Advisors to our Company**

*As to Hong Kong law and United States law*

**Paul Hastings**

22/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

*As to PRC law*

**Zhong Lun Law Firm**

57-59/F, Tower A, Ping An Finance Centre  
5033 Yitian Road  
Futian District, Shenzhen  
Guangdong  
PRC

**Legal Advisors to the Joint Sponsors and  
the [REDACTED]**

*As to Hong Kong law and United States law*

**Sullivan & Cromwell (Hong Kong) LLP**

20/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

*As to PRC law*

**Haiwen & Partners**

20/F, Fortune Financial Center  
5 Dong San Huan Central Road  
Chaoyang District, Beijing  
PRC

---

**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**Auditor and Reporting Accountant**

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One TaiKoo Place  
979, King’s Road  
Quarry Bay  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
2504, Wheelock Square  
No. 1717, Nanjing West Road  
Jingan District, Shanghai  
PRC

**Compliance Advisor**

**Fosun International Capital Limited**  
Suite 2101-2105, 21/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

[REDACTED]

---

## CORPORATE INFORMATION

---

<b>Registered Office</b>	2301-2409, Zhongguan Business Building No. 3031 Taibai Road, Dongxiao Street, Dongxiao Community Luohu District, Shenzhen Guangdong PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	2301-2409, Zhongguan Business Building No. 3031 Taibai Road, Dongxiao Street, Dongxiao Community Luohu District, Shenzhen Guangdong PRC
<b>Principal Place of Business in Hong Kong</b>	40F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
<b>Company's Website</b>	<u><a href="https://www.zlf.cn/">https://www.zlf.cn/</a></u> <i>(The information on the website does not form part of this document)</i>
<b>Joint Company Secretaries</b>	<b>Mr. WU Yang (吳陽)</b> 1801, Building 3A, Financial Street Huafa Rongyu Garden No. 58 Ke Neng Road Guangming District, Shenzhen Guangdong PRC  <b>Ms. YUNG Mei Yee (翁美儀)</b> <i>(a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

## CORPORATE INFORMATION

### Authorized Representatives

**Mr. XIE Mingyu (謝明育)**  
2A, Building 8, Luyin Cuidi  
No.1 Pengxing Road, Liantang  
Luohu District, Shenzhen  
Guangdong  
PRC

**Ms. YUNG Mei Yee (翁美儀)**  
*(a fellow of both The Hong Kong Chartered  
Governance Institute and The Chartered Governance  
Institute in the United Kingdom)*  
40/F, Dah Sing Financial Centre  
No. 248 Queen’s Road East  
Wanchai  
Hong Kong

### Audit Committee

Ms. YANG Lan (楊嵐) (*Chairperson*)  
Mr. LAU Kwok Fan (劉國勳)  
Mr. GUO Qiuquan (郭秋泉)

### Remuneration and Appraisal Committee

Mr. GUO Qiuquan (郭秋泉) (*Chairperson*)  
Ms. YANG Lan (楊嵐)  
Mr. XIE Mingyu (謝明育)

### Nomination Committee

Mr. LI Weizhu (李偉柱) (*Chairperson*)  
Ms. YANG Lan (楊嵐)  
Mr. GUO Qiuquan (郭秋泉)

[REDACTED]

### Principal Bank

**China Merchants Bank**  
**Shenzhen Bao’an Central Area Branch**  
1-01, 1-02, 2-30, 2-32, Building 2  
Longguang Century Building  
South of Xinghua Road  
Bao’an Central Area  
Shenzhen  
PRC

## INDUSTRY OVERVIEW

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

### SOURCE OF INFORMATION

We have engaged Frost & Sullivan to prepare a market research report on the gold jewelry market in the PRC. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB400,000. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the Frost & Sullivan Report.

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

## INDUSTRY OVERVIEW

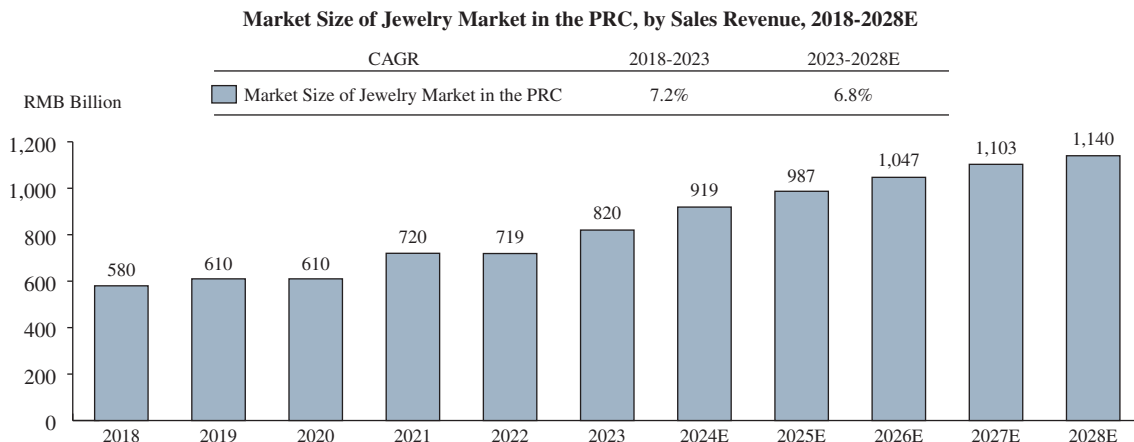
### OVERVIEW OF JEWELRY MARKET

Jewelry can be mainly classified by material into gold jewelry, diamond-set jewelry, jade jewelry, silver & platinum jewelry, coloured gemstone jewelry, pearl jewelry and others.

Gold jewelry primarily consists of items made from gold, available in various levels of purity. Jade jewelry features pieces primarily crafted from jade stones. Diamond-set jewelry, often set in platinum and karat gold, is characterized by its diamond embellishments. Silver and platinum jewelry comprises items made from silver or platinum. Additional categories include gemstone-studded jewelry and pieces made from or adorned with pearls.

### Market Size of Jewelry Market in the PRC

The jewelry market in the PRC witnessed steady growth from RMB580 billion in 2018 to RMB820 billion in 2023, representing a CAGR of 7.2%, primarily fueled by the increasing purchasing power among consumers and rising demand for diversified jewelry for daily wear. Looking forward, due to increasing self-appreciation demands, fashion consciousness among consumers, and the rise of digital retail and e-commerce, the jewelry market in the PRC is estimated to grow at a CAGR of 6.8% from 2023 to 2028, reaching a total sales revenue of RMB1,140 billion by 2028.



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

Gold jewelry has a deep cultural significance in China, a tradition that dates back thousands of years. Dominating the jewelry market, gold jewelry accounted for 63.2% of the market’s sales revenue in 2023 and is forecasted to grow rapidly from 2023 to 2028, outpacing other jewelry categories, which underscores its enduring appeal and significant role in the Chinese market both as a cherished adornment and a valuable investment.

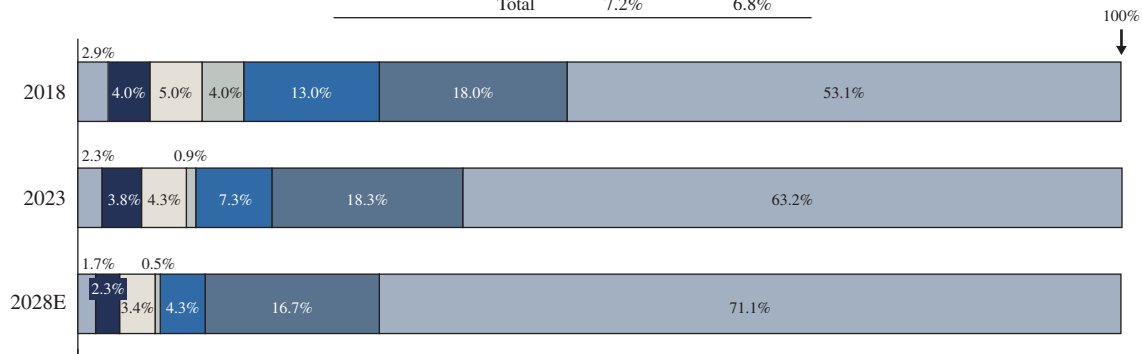


## INDUSTRY OVERVIEW

In 2023, jade jewelry commanded an 18.3% market share in the PRC but faced challenges in brand consolidation, leading to a fragmented market with numerous smaller companies. The diamond-set jewelry market was the third-largest segment, accounting for 7.3% of jewelry market in 2023, yet its growth was limited by shifting consumer tastes. Silver and platinum jewelry saw a significant decrease in market share, and the trend is expected to continue as these materials lose favor among consumers. Additionally, other categories such as pearls and colored gemstones remain niche, capturing only a small fraction of the overall market.

**Market Size of Jewelry Market in the PRC, Breakdown by Material, 2018-2028E**

	CAGR	2018-2023	2023-2028E
■ Gold		11.0%	9.4%
■ Jade		7.5%	4.9%
■ Diamond		-4.5%	-3.9%
■ Silver & Platinum		-21.3%	-4.0%
■ Pearl		3.8%	2.1%
■ Colored Gemstone		6.0%	-3.3%
■ Others		2.5%	0.1%
Total		7.2%	6.8%



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

### Market Drivers of Jewelry Market in the PRC

#### *Increasingly Diversified Consumption Scenarios*

Jewelry has increasingly become a fashion-centric accessory for daily wear. Younger consumers in the PRC are increasingly embracing gold not solely as a conventional emblem of affluence and prestige, but also as a contemporary accessory that reflects their fashion sensibilities and individual styles. Furthermore, the occasions for jewelry consumption have become more varied. Beyond traditional events such as weddings and engagements, the concept of self-gifting has emerged as a popular trend among Chinese consumers in recent years, indicating a shift towards purchasing jewelry as a means of self-appreciation.

---

## INDUSTRY OVERVIEW

---

### *Enhanced Purchasing Power with Shifting Consumer Preferences*

According to National Bureau of Statistics, the annual disposable income per capita for Chinese residents has risen from RMB28.2 thousand in 2018 to RMB39.2 thousand in 2023, achieving a CAGR of 6.8%. Simultaneously, there is a noticeable shift in consumer behavior, with consumers increasingly seeking a higher quality of life and personalized consumption experiences. In this context, jewelry is capturing the attention of a growing consumer base thanks to its inherent value and distinct allure with cultural and sentimental value. Consequently, this trend of growing financial capacity among consumers is expected to continue propelling the jewelry market forward.

### **Future Trends of Jewelry Market in the PRC**

#### *Diversification and Digitalization of Sales Channels*

The diversification and digitalization of sales channels in the PRC’s jewelry market are transformative trends reshaping consumer engagement and purchasing behavior. With an increasing proportion of sales shifting online, digital channels have become a significant growth driver. Notably, the proportion of revenue from e-commerce in the PRC’s gold jewelry market increased from 5.7% in 2018 to 7.2% in 2023. As digital platforms become increasingly central to consumer lifestyles, jewelry companies expand their online presence, utilizing e-commerce websites and social media platforms to reach a broader audience. Simultaneously, traditional physical stores are integrating digital technologies such as live streaming, mini-programs and cloud platforms to create a seamless online-to-offline (O2O) customer journey, catering to the diverse preferences of various consumers.

#### *Prominent Advantages of Leading Jewelry Companies*

The jewelry market in the PRC is exhibiting a trend toward greater industry concentration, as evidenced by the market share of the five largest jewelry companies in terms of the number of offline stores, which increased from 31.6% in 2018 to 37.7% in 2023. This rise underscores the expanding dominance of larger companies, largely driven by economies of scale, which allow these substantial entities to operate more efficiently, offer competitive prices, and maintain high profits. Additionally, this consolidation enables them to invest substantially in branding and marketing, enhancing their visibility and appeal in the market. As the importance of brand value is increasingly evident, major players can allocate significant resources to build and maintain their brand image, further solidifying their market position. Furthermore, larger companies often develop extensive retail networks and robust online platforms, enabling them to cover a broader customer base and respond more dynamically to market trends. Such strategic expansion also supports investment in product design, aligning with evolving consumer preferences and fueling ongoing growth in the jewelry market.

## OVERVIEW OF GOLD JEWELRY MARKET

Gold jewelry refers to decorative items such as rings, necklaces, earrings, and bracelets that are primarily made of gold, a valuable and highly malleable precious metal. Regarding gold purity level, gold jewelry can be categorized into pure gold (with gold purity level of 990‰ and above) and K gold (typically referring to alloy made from a mixture of gold and other metals, with gold content equals 22k (91.6%), 18k (75.0%), or even lower.

## INDUSTRY OVERVIEW

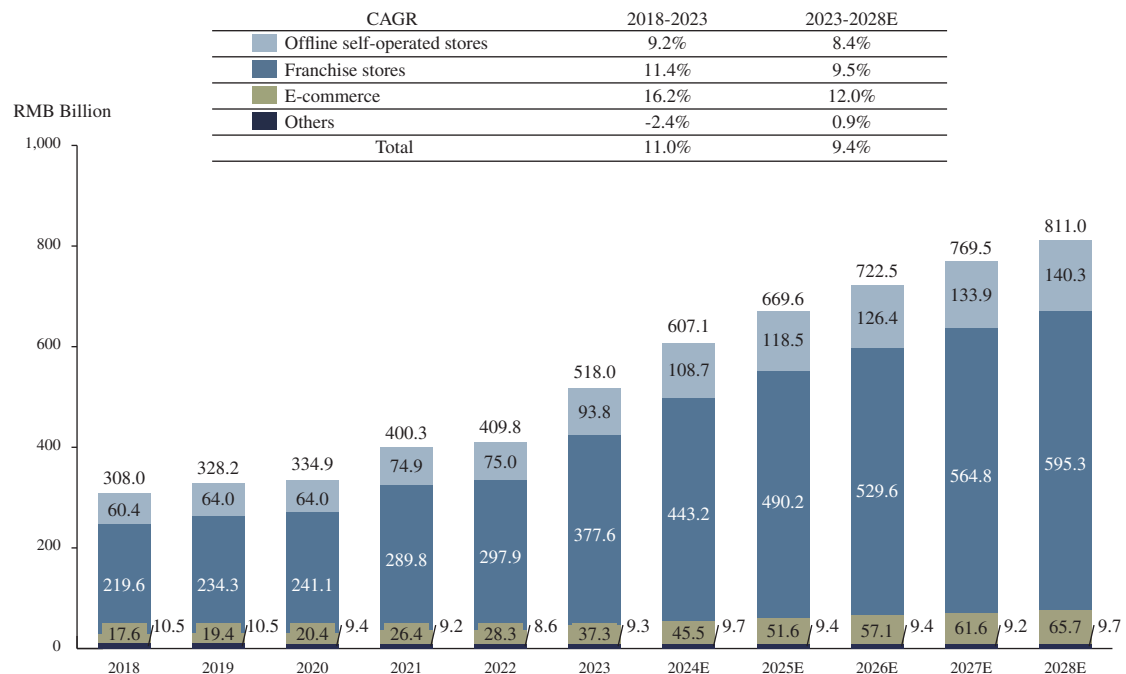
Gold jewelry brands wield significant influence in the gold jewelry industry, with brand value playing a crucial role in shaping market dynamics. Additionally, the well-established upstream supply chains in the gold jewelry market enable leading brands to routinely engage in strategic procurement, ensuring their competitive edge and market leadership.

### Market Size of Gold Jewelry Market in the PRC

The gold jewelry market in the PRC has demonstrated consistent growth, reaching a significant milestone in 2023 with a market size of RMB518.0 billion, up from RMB308.0 billion in 2018, representing a robust CAGR of 11.0%. Notably, franchise stores held the largest share of 72.9% in the gold jewelry market in 2023. However, the most rapid growth was seen in the e-commerce sector, which recorded the highest CAGR of 16.2% during this period, highlighting an accelerating shift towards digitalization and the increasing consumer preference for the convenience of online shopping.

It is estimated that the market will continue its expansion to reach RMB811.0 billion with a CAGR of 9.4% from 2023 to 2028. The e-commerce channel is expected to maintain robust growth with a CAGR of 12.0%, indicating the increasing importance of digital platforms in the gold jewelry market. Franchised and offline self-operated stores are also projected to grow steadily, with CAGRs of 9.5% and 8.4%, respectively.

Market Size of Gold Jewelry Market in the PRC, Breakdown by Sales Channel, by Sales Revenue, 2018-2028E



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

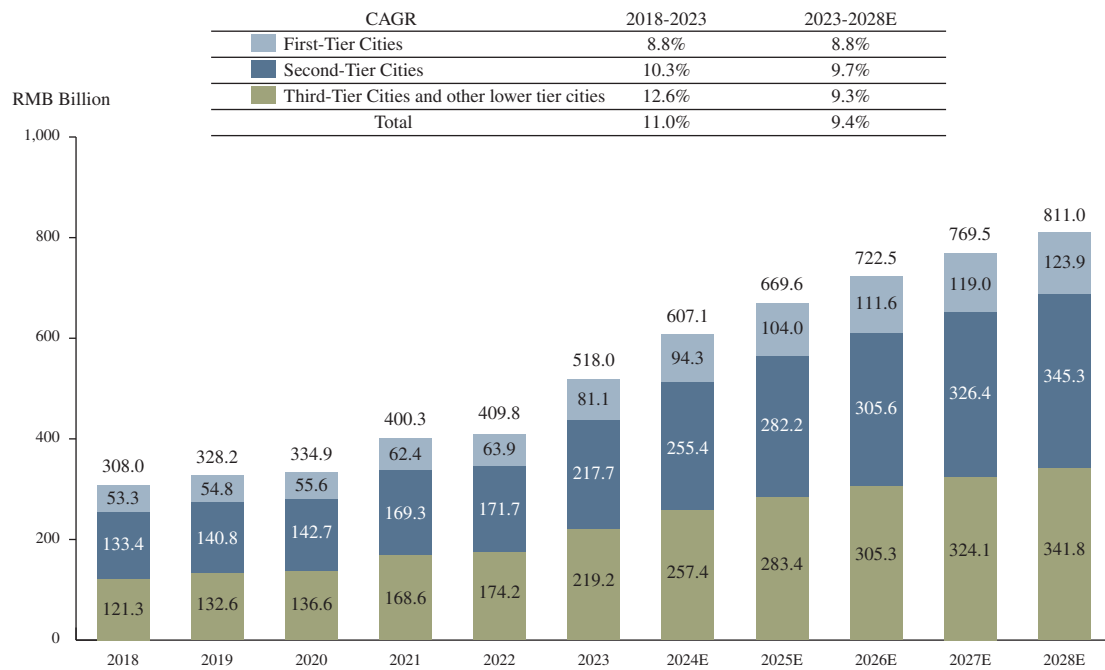
Note: Others include banks and exhibitions.

## INDUSTRY OVERVIEW

The gold jewelry market in the PRC has exhibited varied growth rates across different urban tiers, reflecting the country’s multifaceted consumption landscape. From 2018 to 2023, the market expanded from RMB308.0 billion to RMB518.0 billion, driven by factors such as increased disposable incomes, greater consumer confidence, and the proliferation of digital retail platforms. The most pronounced growth was in Third-Tier Cities and other lower tier cities, which achieved the highest CAGR at 12.6%. Second-Tier Cities also demonstrated strong growth with a CAGR of 10.3%, while First-Tier Cities grew at a CAGR of 8.8%.

From 2023 to 2028, the estimated growth in the gold jewelry market in the PRC is expected to be driven predominantly by Second-Tier Cities, and Third-Tier Cities and other lower tier cities, with forecasted CAGRs of 9.7% and 9.3% respectively, benefiting from rapid urbanization, rising disposable incomes, and localized economic policies that support market development. Concurrently, First-Tier Cities are also expected to see solid growth, with a projected CAGR of 8.8%. The varied growth across the PRC’s city tiers points to a gold jewelry market ripe with opportunities, especially in Second-Tier Cities, and Third-Tier Cities and other lower tier cities, which are set to catalyze future market expansion.

Market Size of Gold Jewelry Market in the PRC, Breakdown by Sales Channel, by Sales Revenue, 2018-2028E



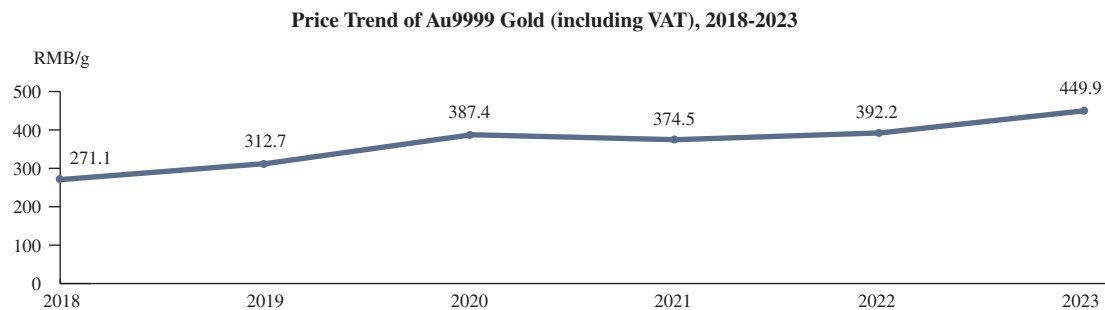
Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

## INDUSTRY OVERVIEW

### Price Analysis of Gold in the PRC

The gold price in the PRC generally aligns with international market trends. However, domestic prices often surpass international levels due to high demand in the domestic market. This disparity arises from significant gold imports, leading to additional costs related to physical delivery, warehousing, local taxes, and currency conversion, ultimately contributing to higher spot prices within the PRC.

The average annual spot price including value added tax (VAT) for Au9999 gold in the PRC increased from RMB271.1/g in 2018 to RMB449.9/g in 2023, which can be attributed to various factors including heightened global economic and political instability and strong domestic demand, particularly from the jewelry industry. Furthermore, ongoing geopolitical conflicts and inflationary pressures have reinforced gold’s appeal as a hedge against risks. The retail sales prices of gold jewelry are typically adjusted based on fluctuations in gold prices.



Source: Shanghai Gold Exchange, Frost & Sullivan

### Market Drivers and Future Trends of Gold Jewelry Market in the PRC

#### *Cultural Significance of Gold Jewelry*

The cultural significance of gold jewelry in China significantly influences its market. Gold is deeply ingrained in Chinese tradition as a symbol of prosperity and good fortune, meanwhile, gold jewelry in China is deeply intertwined with the concept of “福” (FU), which represents good luck, and blessings, elevating it beyond mere decoration to a cherished aspect of familial heritage. This value is both financial and symbolic, resonating with themes of blessings and continuity that span generations. Gold’s revered status becomes particularly prominent during significant life events such as weddings, major festivals, and celebrations, where it is customarily given as a token of “福” (FU) and cherished as a valuable gift. Beyond its traditional significance, gold jewelry also serves as a means of daily self-expression and personal adornment, enhancing individual style and confidence. This dual role underscores gold’s enduring popularity and cultural relevance in China, driving demand and preserving its role in personal and family histories alike.

---

## INDUSTRY OVERVIEW

---

### *Increased Investment Appeal*

The rising investment appeal of gold jewelry in the PRC is closely tied to the upsurge in gold prices, a trend largely driven by mounting global economic uncertainties and escalating inflation. Investors are increasingly drawn to gold as it serves as a hedge against currency devaluation and offers a refuge during turbulent financial times. This sustained investor interest boosts demand, which in turn propels gold prices upward, solidifying its reputation as a strategic asset for capital preservation. Unlike other financial assets, gold holds a unique position by offering tangible value. In the context of China, where gold holds profound cultural significance, consumers are inclined to acquire gold jewelry not only for adornment but also for its enduring financial and cultural value, further embedding gold jewelry within both daily life and investment portfolios.

### *Enhanced Craftsmanship and Design*

In the PRC’s gold jewelry market, enhanced craftsmanship is emerging as a pivotal trend, propelled by technological advancements and growing consumer demand for high-quality, sophisticated designs. Brands are emphasizing artisanal skills, blending traditional goldsmithing techniques with modern aesthetics to preserve cultural heritage while infusing products with exclusivity. Moreover, the gold jewelry market in the PRC is undergoing a significant shift towards youth-oriented, fashion-forward designs, driven by the influence of younger consumers with distinct tastes. This demographic blends traditional values with contemporary fashion trends, creating a demand for designs that are both modern and stylish while retaining cultural significance.

## OVERVIEW OF DIAMOND-SET JEWELRY MARKET

Diamond-set jewelry is jewelry (usually made from platinum and K gold) studded with diamonds. The price of diamond-set jewelry varies according to the 4Cs of diamond quality: color, carat, clarity, and cut.

Diamond-set jewelry can be categorized into natural diamond jewelry and Laboratory-grown diamond jewelry. Natural diamonds are created under the pressure of the earth’s crust over millions of years, then they are mined, cut and polished. Laboratory-grown diamonds (also sometimes referred to as man-made or synthetic diamonds) refer to those that have been manufactured in a controlled laboratory environment by using the popular methods of Chemical Vapor Deposition (CVD) or High Pressure High Temperature (HPHT).

---

## INDUSTRY OVERVIEW

---

### **Market Size of Diamond-set Jewelry Market in the PRC**

The diamond-set jewelry market in the PRC experienced fluctuations between 2018 and 2023, culminating in an overall decline from approximately RMB75.4 billion in 2018 to RMB60.0 billion in 2023, due to shifting customer preferences. However, the rise of young consumer groups who pursue a quality life and desire to express their individuality, the increase in self-purchases among the young and the rise of “Her Economy” indicate a potential shift in market dynamics. Consequently, the downward trend is expected to moderate, reaching an estimated RMB49.2 billion by 2028.

Technological progress has brought significant improvements to the diamond-set jewelry industry. It has optimized the production process and improved product quality. Moreover, these advancements have spurred innovation and evolution within the sector. For instance, the introduction of new processing technologies has revolutionized the design aspect of diamond-set jewelry, enabling the creation of pieces in diverse styles that cater to the unique preferences of consumers. This infusion of technology has not only expanded the range of choices available but has also heightened the overall customer experience.

### **Market Opportunities of Diamond-set Jewelry Market in the PRC**

#### *Scarcity and Cultural Value*

The rarity and unique characteristics of natural diamonds elevate diamond-set jewelry’s perceived value, enhancing their allure. Natural diamonds are deeply embedded in cultural narratives as symbols of enduring love, commitment, strength, purity, and wealth, associated with eternal romance and significant life milestones such as engagements and weddings, and can be passed down through generations. This powerful cultural significance, combined with the inherent scarcity of natural diamonds, strengthens the emotional connection consumers have with diamond-set jewelry, ensuring demand for these timeless treasures.

#### *Emerging Young Consumer Group*

The millennials and Gen-Z have introduced innovative demands and paradigms into the evolution of the diamond-set jewelry industry, presenting a significant opportunity for firms to augment their competitive edge via brand differentiation. Contemporary consumers demonstrate a pronounced preference for unique and fashionable diamond-set jewelry offerings. To cater to this evolving consumer base, companies can emphasize the exclusivity and craftsmanship of diamond-set jewelry products through exceptional design, strong brand identity, and strategic cross-industry collaborations, thereby aligning with their preferences and expectations.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE

PRC’s gold jewelry market is concentrated. In 2023, the Company occupied approximately 6.7% of the total market share in terms of GMV in the PRC’s gold jewelry market. Additionally, the Company ranked third in terms of the number of jewelry inspected in the National Gems & Jewelry Testing Co. Ltd.

Jewelry companies operating offline stores in 50% or more provinces of the PRC are regarded as nationwide operations. The Company led jewelry companies with nationwide operations in the PRC with the highest CAGR of jewelry revenue at 36.0% from 2021 to 2023. It also ranked first among jewelry companies with nationwide operations in the PRC in terms of CAGR of online jewelry sales revenue, achieving 53.7% over the same period. Furthermore, the Company garnered 33.9% of its jewelry revenue from the online channel, the highest share among jewelry companies with nationwide operations in the PRC in 2023.

The Company ranked fourth in terms of the number of offline stores in the PRC among all jewelry brands in the PRC for the year ended December 31, 2023.

**Ranking of Jewelry Brands in the PRC, by No. of Offline Stores in the PRC (2023)**

Ranking	Company	Listing Status	No. of Offline Stores in the PRC
1	Company A <sup>1</sup>	Public	7,403
2	Company B <sup>2</sup>	Public	5,979
3	Company C <sup>3</sup>	Public	5,106
4	<b>The Company</b>	<b>Private</b>	<b>4,359<sup>5</sup></b>
5	Company D <sup>4</sup>	Public	4,256

Source: Annual Report, Frost & Sullivan

Notes:

- (1) It is a leading jewelry brand, which mainly engages in the sale of gem-set jewelry, platinum/karat gold products, gold products, and watches.
- (2) It is one of China’s time-honored brands, primarily involved in the jewelry and gold business, stationery and art craft.
- (3) It is a leading jewelry brand with diamond-set jewelry and gold jewelry as its major products.
- (4) It is a leading gold jewelry company, focusing on the sale of gold jewelry and processing of gold bullion.
- (5) It includes only the brand “Zhou Liu Fu”.



## INDUSTRY OVERVIEW

The Company ranked third in terms of the number of offline stores in the southern area of the PRC among all jewelry brands in the PRC for the year ended December 31, 2023.

**Ranking of Jewelry Brands in the PRC, by No. of Offline Stores  
in the Southern Area of the PRC<sup>1</sup> (2023)**

Ranking	Company	Listing Status	No. of Offline Stores in the Southern Area
1	Company A	Public	3,969
2	Company D	Public	2,824
<b>3</b>	<b>The Company</b>	<b>Private</b>	<b>2,758<sup>2</sup></b>
4	Company C	Public	1,976
5	Company B	Public	1,524

Source: Annual Report, Frost & Sullivan

Notes:

- (1) The southern area of the PRC includes southern Jiangsu (Suzhou, Wuxi, Changzhou, Zhenjiang, Nanjing, Nantong, Yangzhou, Taizhou, Yancheng, and Huaian), southern Anhui (Hefei, Lu'an, Chuzhou, Anqing, Wuhu, Ma'anshan, Tongling, Xuancheng, and Huangshan), Zhejiang, Shanghai, Hunan, Jiangxi, Fujian, Yunnan, Guizhou, Sichuan, Chongqing, Guangxi, Guangdong, and Hainan.
- (2) It includes only the brand “Zhou Liu Fu”.

### Entry Barriers

#### **Brand Barrier**

Brand loyalty in the gold jewelry industry is important with customers often favoring established brands they perceive as reliable and high-quality. Developing a strong brand in this sector requires substantial investments in marketing, customer service, and the consistent delivery of high-quality products. Smaller-scale companies and new entrants must invest significantly to build trust and recognition in a market where heritage and reputation heavily influence consumer choices. Achieving this involves not only meeting but exceeding industry standards and implementing innovative strategies to engage customers and differentiate from established competitors, a process that can be both costly and time-intensive.

## INDUSTRY OVERVIEW

---

### *Channel Barrier*

Successful entry into the gold jewelry industry heavily relies on the ability to establish a comprehensive distribution channel that spans various retailers, wholesalers, and online platforms. Established brands benefit from years of network optimization, leveraging long-standing partnerships with retailers and wholesalers to secure favorable terms and strategic shelf space. Creating such a network is not only a resource-intensive endeavor that demands significant financial investment but also requires time and strategic effort to build robust relationships and reliable partnerships across the distribution chain, making it difficult for new entrants to compete against established brands with optimized and efficient distribution networks.

### *Supply Chain Barrier*

The gold jewelry industry is characterized by a complex supply chain that poses significant barriers to entry for new entrants. Established brands have well-integrated supply chains, allowing them to secure high-quality materials at competitive prices through long-standing supplier relationships and strategic procurement strategies. They maintain optimized production processes and have built strong partnerships with reliable manufacturers, ensuring consistent quality, efficiency, and timely production. Additionally, prime supply chains enable their products to quickly enter extensive distribution networks across retailers, wholesalers, and online platforms, ensuring efficient and widespread market reach.

### *Operational Capability Barrier*

Operational management encompasses various aspects, including supply chain management, risk management, manufacturing excellence, design innovation, and distribution. Established gold jewelry companies possess deeply integrated and efficient supply chains, allowing them to secure high-quality materials at competitive prices and optimize production costs, even employ procurement strategies including hedging against gold price fluctuations through futures contracts or strategic stockpiling, enabling them to maintain stable production costs and manage financial risks effectively. Furthermore, navigating intricate regulatory requirements further adds to the challenges for new entrants. Coupled with effective marketing strategies and strong brand value, operational strengths create significant barriers for new entrants, who often struggle to match these capabilities due to the high investment and rich experience required.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### OUR HISTORY

#### Overview

We are a leading and fast growing jewelry company in China. Leveraging our comprehensive network of retail store and sales model through both online and offline channels, we provide end customers with diverse portfolio of high-quality jewelry products, which primarily include gold jewelry and diamond-set jewelry.

The history of our Company could date back to April 2004, when Mr. Li Weipeng, together with Mr. Chen Chuangjin, an Independent Third Party and an acquaintance of Mr. Li Weipeng, established the predecessor of our Company, Shenzhen Zhou Tian Fu Jewellery Co., Ltd. (深圳市周天福珠宝首饰有限公司, “**Shenzhen Zhou Tian Fu**”), a limited liability company established under the laws of the PRC with registered capital of RMB1.0 million. In April 2005, Mr. Li Weizhu, the brother of Mr. Li Weipeng, acquired 50% equity interest in Shenzhen Zhou Tian Fu from Mr. Chen Chuangjin at the consideration of RMB0.5 million. Upon completion of such equity transfer, Shenzhen Zhou Tian Fu was owned by Mr. Li Weizhu and Mr. Li Weipeng as to 50.00% and 50.00%, respectively:

For details of the biographies of Mr. Li Weizhu and Mr. Li Weipeng, please refer to the section headed “Directors, Supervisors and Senior Management” in this document.

In March 2012, our Company changed its name to Shenzhen Zhou Liu Fu Jewellery Co., Limited (深圳市周六福珠宝有限公司). In November 2018, Shenzhen Zhou Liu Fu Jewellery Co., Limited was converted into a joint stock limited company and renamed as Zhou Liu Fu Jewellery Co., Ltd. (周六福珠宝股份有限公司).

#### Business Milestones

The table below sets out the key business milestones in the history of our Company:

Year	Milestones
2004	Our Company was incorporated and commenced its exploration in jewelry chain store business.
2012	Our Company made a debut on China Central Television (中國中央電視台) (“ <b>CCTV</b> ”).
2013	We started sales through online sales channel.
2014	Our brand was awarded “CCTV Advertising Brand (央視宣傳品牌)”.
2019	We were awarded “Vice-chairman Unit (副會長協會)” by Gems & Jewelry Trade Association of China (中國珠寶玉石首飾行業協會).
	More than 3,000 brand stores were opened in the PRC.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2020	The ultimate 4.0 image of our Company was launched, and with “exquisite, craftsmanship, self-confidence” as the theme, our shops adopted the colour of champagne as the key colour tone.
2022	<p>The fifth-generation of high-end trendy image of Zhou Liu Fu was unveiled. Inspired by the four seasons of the nature, we extracted the key colour tone of every season, which was applied to different stores nationwide.</p> <p>Our Company won the first-class award in Shi Jie Cup China Decorative Arts Design Competition (飾界杯•中國裝飾藝術設計大賽) by China Fashion Association Soft Furnishings Arts Festival Committee (中國軟裝陳設藝術節組委會) and Shi Jie Cup China Decorative Arts Design Competition Committee (飾界杯•中國裝飾藝術設計大賽組委會).</p> <p>More than 4,000 brand stores were opened in the PRC.</p> <p>Revenue from our online sales channels for the year ended December 31, 2022 exceeded RMB1 billion.</p> <p>Our 20th anniversary brand story was showcased on CCTV-1’s “the Growing of the Great Brand (大國品牌)”.</p>
2023	We were awarded “2023 PRC 500 Most Valuable Brand (2023年中國500最具價值品牌)” by CCTV.
2024	“Zhou Liu Fu” brand was honored for nine consecutive years as one of “The Top 500 Valuable Brands of the PRC (中國500最具價值品牌證書)”.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we carried out our business through our Company and our operating subsidiaries in the PRC. The place of incorporation, date of incorporation and commencement of business and principal business activities of our major subsidiaries that made a material contribution to our historical financial performance during the Track Record Period are as follows:

<b>Name of major subsidiary</b>	<b>Place of incorporation</b>	<b>Date of incorporation and commencement of business</b>	<b>Principal business activities</b>
Zhou Liu Fu E-Commerce Co., Ltd. (周六福电子商务有限公司) (“ <b>Zhou Liu Fu E-Commerce</b> ”)	PRC	May 25, 2017	sales to e-commerce platforms
Shenzhen Zhou Liu Fu Retail E-Commerce Co., Ltd. (深圳市周六福零售电商有限公司) (“ <b>Zhou Liu Fu Retail E-Commerce</b> ”)	PRC	May 30, 2022	sales under the self-operated e-commerce stores
Zhou Liu Fu Jewellery Sales (Chongqing) Co., Ltd. (周六福珠宝销售(重庆)有限公司) (“ <b>Zhou Liu Fu Jewellery Sales (Chongqing)</b> ”)	PRC	October 17, 2019	product sales and brand operations under the franchise business
Zhou Liu Fu Jewellery (Chongqing) Co., Ltd. (周六福珠宝(重庆)有限公司) (“ <b>Zhou Liu Fu Jewellery (Chongqing)</b> ”)	PRC	March 22, 2021	sales of products in our self-operated stores

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### MAJOR SHAREHOLDING CHANGES OF OUR GROUP

#### Establishment of our Company and Initial Shareholding Changes Before 2017

On April 28, 2004, our Company was established under the laws of the PRC as a limited liability company with an initial registered capital of RMB1.0 million. Upon establishment, Mr. Li Weipeng and Mr. Chen Chuangjin, an Independent Third Party and an acquaintance of Mr. Li Weipeng, held 50% and 50% of the then registered capital of our Company, respectively.

In April 2005, Mr. Li Weizhu, the brother of Mr. Li Weipeng, acquired 50% of the then equity interest in our Company from Mr. Chen Chuangjin at the consideration of RMB0.5 million. Upon completion of such equity transfer, our Company was owned as to 50% by Mr. Li Weizhu and 50% by Mr. Li Weipeng, respectively.

In June 2011, Mr. Li Weizhu and Mr. Li Weipeng, being the only then registered shareholders of our Company, subscribed for additional registered capital of RMB4.5 million and RMB4.5 million in our Company, respectively. In June 2012, Mr. Li Weizhu and Mr. Li Weipeng further subscribed for additional registered capital of RMB20 million and RMB20 million in our Company, respectively.

In December 2015, (i) Mr. Li Weipeng transferred RMB15 million and RMB10 million of the registered capital of our Company (representing 30% and 20% of the then registered capital of our Company) to Qiankun United and Shangshan United, respectively; and (ii) Mr. Li Weizhu transferred RMB5 million and RMB20 million of the registered capital of our Company (representing 10% and 40% of the then registered capital of our Company) to Shangshan United and Ruoshui United, respectively (the “**2015 Transfers**”). At the time of the 2015 Transfers, Qiankun United was wholly owned by Mr. Li Weipeng, and Shangshan United and Ruoshui United were wholly owned by Mr. Li Weizhu.

Pursuant to a supplemental agreement entered into by Mr. Li Weizhu, Mr. Li Weipeng, Ruoshui United, Shangshan United and Qiankun United on June 1, 2024, the parties thereto have confirmed that the 2015 Transfers were conducted for the purpose of internal restructuring of the shareholding structure of our Company whereby Mr. Li Weizhu and Mr. Li Weipeng together remained 100% interested in our Company both before and after completion of such transfers. The parties thereto have further confirmed that no consideration shall be payable in respect of the 2015 Transfers.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the abovementioned capital increases by Mr. Li Weizhu and Mr. Li Weipeng, and the 2015 Transfers, our shareholding structure was as follows:

<b>Name of Shareholder</b>	<b>Registered Capital subscribed for (RMB)</b>	<b>Percentage of Shareholding</b>
Ruoshui United	48,000,000	40.00%
Shangshan United	36,000,000	30.00%
Qiankun United	36,000,000	30.00%
<b>Total</b>	<b>120,000,000</b>	<b>100.00%</b>

### Subscriptions by Employee Shareholding Platforms in December 2017

In order to enhance our remuneration structure and to motivate and retain talents, in December 2017, our Company implemented an employee share incentive plan to grant share incentives to our employees through three limited partnerships established under the laws of the PRC as our employee shareholding platforms, namely Shaobo Investment, Meiyu Investment and Chuangming Investment. In this respect, in December 2017, each of Shaobo Investment, Meiyu Investment and Chuangming Investment subscribed for RMB1,958,400, RMB1,641,600 and RMB3,600,000 of the registered capital of our Company at the consideration of RMB4,080,000, RMB3,420,000 and RMB7,500,000, respectively. The considerations were determined taking into account the then net asset value of our Company in October 2017.

Upon completion of the above capital subscriptions, the registered capital of our Company was increased from RMB120,000,000 to RMB127,200,000. The shareholding structure of our Company upon completion of the above capital subscriptions was as follows:

<b>Name of Shareholder</b>	<b>Registered capital subscribed for (RMB)</b>	<b>Percentage of shareholding (Approx.)</b>
Ruoshui United	48,000,000	37.74%
Shangshan United	36,000,000	28.30%
Qiankun United	36,000,000	28.30%
Chuangming Investment	3,600,000	2.83%
Shaobo Investment	1,958,400	1.54%
Meiyu Investment	1,641,600	1.29%
<b>Total</b>	<b>127,200,000</b>	<b>100.00%</b>

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Capital Increase in August 2018

In August 2018, our Company entered into capital increase agreements with each of Shenzhen Yongcheng No. 2 Investment Partnership (Limited Partnership) (深圳市永誠貳號投資合夥企業(有限合夥)) (“**Yongcheng No. 2**”) and Hengqin Daoyang Junrui Equity Investment Fund (Limited Partnership) (橫琴道陽君瑞股權投資基金(有限合夥)) (“**Daoyang Junrui**”), pursuant to which Yongcheng No. 2 and Daoyang Junrui agreed to subscribe for RMB1,272,000 and RMB1,004,517 of the registered capital at a consideration of RMB35,000,000 and RMB27,640,000 respectively. The considerations were determined after arm’s length negotiations with reference to the then estimated net profit for the year of our Company and the price-to-earnings ratio of our industry peers.

Upon completion of the above capital subscriptions, the registered capital of our Company was increased from RMB127,200,000 to RMB129,476,517. The shareholding structure of our Company after completion of the above capital subscriptions was as follows:

Name of Shareholders	Registered capital subscribed for (RMB)	Percentage of shareholding (Approx.)
Ruoshui United	48,000,000	37.07%
Shangshan United	36,000,000	27.80%
Qiankun United	36,000,000	27.80%
Chuangming Investment	3,600,000	2.78%
Shaobo Investment	1,958,400	1.51%
Meiyu Investment	1,641,600	1.27%
Yongcheng No. 2 <sup>(1)</sup>	1,272,000	0.98%
Daoyang Junrui <sup>(2)</sup>	1,004,517	0.78%
<b>Total</b>	<b>129,476,517</b>	<b>100%</b>

*Notes:*

- (1) Yongcheng No. 2 is a limited partnership established in the PRC in September 2017. To the best knowledge of our Company, Yongcheng No.2 was an Independent Third Party at the time of the above capital subscriptions. Yongcheng No. 2 is also one of the limited partners of Yongcheng No. 15 holding less than 1/3 of its partnership interest.
- (2) Daoyang Junrui is a limited partnership established in the PRC in July 2018. To the best knowledge of our Company, Daoyang Junrui was an Independent Third Party at the time of the above capital subscriptions.

### Conversion into a Joint Stock Limited Company in November 2018

On November 7, 2018, our Company (then known as Zhou Liu Fu Jewellery Co., Limited) was converted into a joint stock limited company and renamed as Zhou Liu Fu Jewellery Co., Ltd. The audited net assets of Zhou Liu Fu Jewellery Co., Limited as of August 31, 2018, amounting to RMB372,374,354.95, were converted into 360,000,000 Shares of RMB1.00 per Share of our Company, and the remaining portion was allocated to our capital reserve.



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Capital Increase in November 2018

In November 2018, our Company entered into capital increase agreements with each of (i) Gongqingcheng Jinyu Fuyuan Investment Management Partnership (Limited Partnership) (共青城金玉福源投資管理合夥企業(有限合夥)) (“**Jinyu Fuyuan**”) and (ii) Jinjiang Jiaqiao Heli Equity Investment Partnership (Limited Partnership) (晉江架橋合利股權投資合夥企業(有限合夥)) (“**Jiaqiao Heli**”, formerly known as Shenzhen Jiaqiao Heli Equity Investment Partnership (Limited Partnership) (深圳市架橋合利股權投資合夥企業(有限合夥)) and Mr. Xu Bo, an Independent Third Party, pursuant to which Jinyu Fuyuan agreed to subscribe for the registered capital of RMB3,142,613 at the consideration of RMB31,100,000, and Jiaqiao Heli and Mr. Xu Bo agreed to subscribe for the registered capital of RMB3,031,460 at the consideration of RMB30,000,000. The considerations were determined after arm’s length negotiations with reference to the then the estimated net profit for the year of our Company and the price-to-earnings ratio of our industry peers.

The shareholding structure of our Company immediately after completion of the conversion into a joint stock limited company and the capital subscriptions above was as follows:

Name of Shareholder	Registered capital subscribed for (RMB)	Percentage of shareholding (Approx.)
Ruoshui United	133,460,495	36.45%
Shangshan United	100,095,371	27.34%
Qiankun United	100,095,371	27.34%
Chuangming Investment	10,009,537	2.73%
Shaobo Investment	5,445,188	1.49%
Meiyu Investment	4,564,349	1.25%
Yongcheng No. 2	3,536,703	0.97%
Daoyang Junrui	2,792,986	0.76%
Jinyu Fuyuan <sup>(1)</sup>	3,142,613	0.86%
Jiaqiao Heli <sup>(2)</sup>	2,526,217	0.69%
Mr. Xu Bo <sup>(2)</sup>	505,243	0.14%
<b>Total</b>	<b>366,174,073</b>	<b>100 %</b>

*Notes:*

- (1) Jinyu Fuyuan was a limited partnership established in the PRC on August 10, 2018 and was deregistered on April 8, 2024. To the best knowledge of our Company, Jinyu Fuyuan was an Independent Third Party at the time of the above capital subscriptions.
- (2) Jiaqiao Heli is a limited partnership established in the PRC on October 30, 2014 and ultimately owned by Mr. Xu Bo at the time of the above capital subscription. To the best knowledge of our Company, each of Jiaqiao Heli and Mr. Xu Bo was an Independent Third Party at the time of the above capital subscriptions.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### November 2020 transfer

On November 23, 2020, Qiankun United and Shenzhen Huatuo Zhiyuan No. 3 Investment Enterprise (Limited Partnership) (深圳市華拓至遠叁號投資企業(有限合夥)) (“Huatuo Zhiyuan”) entered into an equity transfer agreement, pursuant to which Qiankun United transferred RMB1,786,215 of the registered capital of our Company to Huatuo Zhiyuan at the consideration of RMB20,000,000. The consideration thereunder was determined after arm’s length negotiations with reference to the then estimated growth in the net profit of our Company.

Immediately after the above equity transfer, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital subscribed for (RMB)	Percentage of shareholding (Approx.)
Ruoshui United	133,460,495	36.45%
Shangshan United	100,095,371	27.34%
Qiankun United	98,309,156	26.85%
Chuangming Investment	10,009,537	2.73%
Shaobo Investment	5,445,188	1.49%
Meiyu Investment	4,564,349	1.25%
Yongcheng No. 2	3,536,703	0.97%
Daoyang Junrui	2,792,986	0.76%
Jinyu Fuyuan	3,142,613	0.86%
Jiaqiao Heli	2,526,217	0.69%
Huatuo Zhiyuan <sup>(1)</sup>	1,786,215	0.49%
Mr. Xu Bo	505,243	0.14%
<b>Total</b>	<b>366,174,073</b>	<b>100%</b>

Note:

- (1) Huatuo Zhiyuan is a limited partnership established in the PRC in April 2016. To the best knowledge of our Company, Huatuo Zhiyuan was an Independent Third Party at the time of the above capital transfer.

## **HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE**

### **October 2021 transfer**

Pursuant to an equity transfer agreement entered into between Mingyang Investment and Daoyang Junrui on October 8, 2021 (as supplemented on June 10, 2024), Daoyang Junrui agreed to transfer RMB2,792,986 of the registered capital of our Company to Mingyang Investment at the consideration of RMB27,871,400. Such equity transfer facilitated the exit of certain existing investors in Daoyang Junrui while allowing the remaining investors in Daoyang Junrui and certain new investors of our Company to continue to hold or acquire interest in our Company through a new investment platform, Mingyang Investment, established by them for such purposes.

The consideration of the above equity transfer was determined after arm’s length negotiations with reference to the original cost of acquisition for the relevant equity interest subscribed for by Daoyang Junrui in August 2018 and the then valuation of our Company.

Immediately after the above equity transfer, the shareholding structure of our Company was as follows:

<b>Name of Shareholder</b>	<b>Registered capital subscribed for (RMB)</b>	<b>Percentage of shareholding (Approx.)</b>
Ruoshui United	133,460,495	36.45%
Shangshan United	100,095,371	27.34%
Qiankun United	98,309,156	26.85%
Chuangming Investment	10,009,537	2.73%
Shaobo Investment	5,445,188	1.49%
Meiyu Investment	4,564,349	1.25%
Yongcheng No. 2	3,536,703	0.97%
Mingyang Investment	2,792,986	0.76%
Jinyu Fuyuan	3,142,613	0.86%
Jiaqiao Heli	2,526,217	0.69%
Huatuo Zhiyuan	1,786,215	0.49%
Mr. Xu Bo	505,243	0.14%
<b>Total</b>	<b>366,174,073</b>	<b>100%</b>

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Share Transfers in 2023 and 2024

During November 2023 to January 2024, certain of our then Shareholders have entered into equity transfer agreements with Mr. Li Weizhu, Ruoshui United, Shangshan United, Qiankun United and our Company (as the case may be), pursuant to which the relevant Shareholders have transferred, and Ruoshui United, Shangshan United and Qiankun United have acquired, in aggregate RMB12,972,323 of the registered capital of our Company (representing in aggregate approximately 3.54% of the then registered capital of our Company). The considerations were determined after arm’s length negotiations between the parties to the relevant agreements with reference to, among others, the investment periods, relevant interest rates and dividends received, and had been fully settled as of the Latest Practicable Date.

The details of the above equity transfers are set out as follows:

Date of equity transfer agreement	Transferor	Consideration (RMB)	Registered capital transferred (RMB)	Percentage of shareholding transferred (approx.)	Date of settlement of consideration
January 2, 2024	Yongcheng No.2	46,314,001.07	3,536,703 <sup>(1)</sup>	0.97%	January 2, 2024
December 25, 2023	Mingyang Investment	14,600,209.20	1,475,332 <sup>(2)</sup>	0.40%	December 29, 2023
November 22, 2023	Jinyu Fuyuan	40,173,648.98	3,142,613 <sup>(3)</sup>	0.86%	November 24, 2023
November 22, 2023	Jiaqiao Heli	32,286,993.87	2,526,217 <sup>(4)</sup>	0.69%	November 27, 2023
November 22, 2023	Huatuo Zhiyuan	23,781,037.74	1,786,215 <sup>(5)</sup>	0.49%	November 23, 2023
November 22, 2023	Mr. Xu Bo	6,457,339.21	505,243 <sup>(6)</sup>	0.14%	November 28, 2023

*Notes:*

- (1) Among RMB3,536,703 of the registered capital of our Company transferred by Yongcheng No.2, RMB1,422,296, RMB1,066,722 and RMB1,047,686 of the registered capital of our Company was transferred by Yongcheng No.2 to Ruoshui United, Shangshan United and Qiankun United, respectively.
- (2) Among RMB1,475,332 of the registered capital of our Company transferred by Mingyang Investment, RMB593,309, RMB444,982 and RMB437,041 of the registered capital of our Company was transferred by Mingyang Investment to Ruoshui United, Shangshan United and Qiankun United, respectively.
- (3) Among RMB3,142,613 of the registered capital of our Company transferred by Jinyu Fuyuan, RMB1,263,811, RMB947,858 and RMB930,944 of the registered capital of our Company was transferred by Jinyu Fuyuan to Ruoshui United, Shangshan United and Qiankun United, respectively.
- (4) Among RMB2,526,217 of the registered capital of our Company transferred by Jiaqiao Heli, RMB1,015,926, RMB761,944 and RMB748,347 of the registered capital of our Company was transferred by Jiaqiao Heli to Ruoshui United, Shangshan United and Qiankun United, respectively.
- (5) Among RMB1,786,215 of the registered capital of our Company transferred by Huatuo Zhiyuan, RMB718,332, RMB538,749 and RMB529,135 of the registered capital of our Company was transferred by Huatuo Zhiyuan to Ruoshui United, Shangshan United and Qiankun United, respectively.
- (6) Among RMB505,243 of the registered capital of our Company transferred by Mr. Xu Bo, RMB203,185, RMB152,389 and RMB149,669 of the registered capital of our Company was transferred by Mr. Xu Bo to Ruoshui United, Shangshan United and Qiankun United, respectively.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately after the above equity transfers, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital subscribed for (RMB)	Percentage of shareholding (Approx.)
Ruoshui United	138,677,353	37.87%
Shangshan United	104,008,014	28.40%
Qiankun United	102,151,978	27.90%
Chuangming Investment	10,009,537	2.73%
Shaobo Investment	5,445,188	1.49%
Meiyu Investment	4,564,349	1.25%
Mingyang Investment	1,317,654	0.36%
<b>Total</b>	<b>366,174,073</b>	<b>100%</b>

### Capital Increase in June 2024

On June 19, 2024, our Company entered into capital increase agreements with each of (i) Xianglong Chuangmei, (ii) Yongcheng No. 15, (iii) Di Ai Jewellery and (iv) Zhengfu Investment, pursuant to which each of them agreed to subscribe for the registered capital of our Company as follows:

Investor	Consideration (RMB)	Registered capital subscribed for (RMB)
Xianglong Chuangmei	140,000,000.00	7,164,832
Yongcheng No. 15	50,000,000.00	2,558,868
Di Ai Jewellery	35,000,000.00	1,791,208
Zhengfu Investment	20,000,000.00	1,023,547

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the above capital increases in June 2024 and as of the Latest Practicable Date, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital subscribed for (RMB)	Percentage of shareholding
Ruoshui United	138,677,353	36.62%
Shangshan United	104,008,014	27.46%
Qiankun United	102,151,978	26.97%
Chuangming Investment	10,009,537	2.64%
Xianglong Chuangmei	7,164,832	1.89%
Shaobo Investment	5,445,188	1.44%
Meiyu Investment	4,564,349	1.21%
Yongcheng No. 15	2,558,868	0.68%
Di Ai Jewelry	1,791,208	0.47%
Mingyang Investment	1,317,654	0.35%
Zhengfu Investment	1,023,547	0.27%
<b>Total</b>	<b>378,712,528</b>	<b>100%</b>

### Our Major Subsidiaries

#### Zhou Liu Fu E-Commerce

Zhou Liu Fu E-Commerce was established as a limited liability company in the PRC on May 25, 2017, with an initial registered capital of RMB10 million. It is principally engaged in the business of sales to e-commerce platforms. In November 2018, the registered capital of Zhou Liu Fu E-Commerce was increased from RMB10 million to RMB50 million with the shareholding structure remaining unchanged. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by our Company. During the Track Record Period and up to the Latest Practicable Date, there had been no change in the shareholding of Zhou Liu Fu E-Commerce.

#### Zhou Liu Fu Retail E-Commerce

Zhou Liu Fu Retail E-Commerce was established as a limited liability company in the PRC on May 30, 2022 with an initial registered capital of RMB20 million. It is principally engaged in the business of sales under the self-operated e-commerce stores. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by Zhou Liu Fu E-Commerce, which was in turn wholly owned by our Company. During the Track Record Period and up to the Latest Practicable Date, there had been no change in the shareholding of Zhou Liu Fu Retail E-Commerce.

---

## **HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE**

---

### **Zhou Liu Fu Jewellery Sales (Chongqing)**

Zhou Liu Fu Jewellery Sales (Chongqing) was established as a limited liability company in the PRC on October 17, 2019, with an initial registered capital of RMB10 million. It is principally engaged in the business of product sales and brand operations under the franchise business. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by our Company. During the Track Record Period and up to the Latest Practicable Date, there had been no change in the shareholding of Zhou Liu Fu Jewellery Sales (Chongqing).

### **Zhou Liu Fu Jewellery (Chongqing)**

Zhou Liu Fu Jewellery (Chongqing) was established as a limited liability company in the PRC on March 22, 2021 with an initial registered capital of RMB10 million. It is principally engaged in the business of sales of products in our self-operated stores. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by our Company. During the Track Record Period and up to the Latest Practicable Date, there had been no change in the shareholding of Zhou Liu Fu Jewellery (Chongqing).

### **MAJOR ACQUISITIONS, DISPOSALS AND MERGERS**

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we consider material to us.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### PRE-[REDACTED] INVESTMENTS

#### Overview and Principal Terms of the Pre-[REDACTED] Investments

The relevant details and principal terms of the Pre-[REDACTED] Investments are set out below:

	Mingyang Investment <sup>(3)</sup>	Xianglong Chuangmei	Yongcheng No. 15	Di Ai Jewelry	Zhengfu Investment
<b>Date of agreement</b>	October 8, 2021 (as supplemented on June 10, 2024)	June 19, 2024	June 19, 2024	June 19, 2024	June 19, 2024
<b>Registered capital subscribed for</b>	RMB2,792,986	RMB7,164,832	RMB2,558,868	RMB1,791,208	RMB1,023,547
<b>Consideration</b>	RMB27,871,400	RMB140,000,000	RMB50,000,000	RMB35,000,000	RMB20,000,000
<b>Basis of consideration</b>	The consideration was determined after arm’s length negotiations with reference to (i) the original cost of acquisition for the relevant equity interest acquired by Daoyang Junrui <sup>(4)</sup> in August 2018 and (ii) the then valuation of our Company.	The consideration was determined after arm’s length negotiation with reference to, among others, the business performance of our Company and the price-to-earnings ratio of industry peers.			
<b>Date of settlement of consideration</b>	June 10, 2022: RMB1,824,800 June 24, 2024: RMB26,046,600	June 20, 2024	June 20, 2024	June 19, 2024	June 20, 2024
<b>Approximate cost per Share</b>	RMB9.98	RMB19.54	RMB19.54	RMB19.54	RMB19.54
<b>Premium/(Discount) to the [REDACTED]</b> <sup>(1)</sup>	[[[REDACTED]]%]	[[[REDACTED]]%]	[[[REDACTED]]%]	[[[REDACTED]]%]	[[[REDACTED]]%]



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	Mingyang Investment <sup>(3)</sup>	Xianglong Chuangmei	Yongcheng No. 15	Di Ai Jewelry	Zhengfu Investment
<b>Use of Proceeds from the Pre-[REDACTED] Investments</b>	Given that Mingyang Investment acquired the Shares from the then shareholders of our Company, no proceeds were raised by our Company.	We intend to utilize the proceeds to, among others, fund our general working capital. As of the Latest Practicable Date, we have not utilized the proceeds obtained from the Pre-[REDACTED] Investments.			
<b>Shareholding in our Company immediately after the [REDACTED]<sup>(2)</sup></b>	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%
<b>Lock-up Period</b>					Pursuant to the applicable PRC laws, all existing Shareholders (including the Pre-[REDACTED] Investors) will be subject to the relevant PRC statutory transfer restriction for a period of 12 months from the [REDACTED].
<b>Strategic benefits of the Pre-[REDACTED] Investors brought to our Company</b>					We believe that the Pre-[REDACTED] Investors' investments in our Company have demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strengths and prospects. Other than Yongcheng No. 15, the Pre-[REDACTED] Investors are owned by, or related to, our business partners including our suppliers, authorized suppliers and franchisees. These strategic investments were driven by a mutual desire to achieve operational synergies, enhance business collaboration and strengthen our strategic alliance, fostering a more integrated business relationship.

*Notes:*

- (1) Calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED]).
- (2) Assuming the [REDACTED] is not exercised.
- (3) For further details of the pre-[REDACTED] investment by Mingyang Investment, please refer to “ – October 2021 transfer” and “ – Share Transfers in 2023 and 2024” in this section.
- (4) For further details of the investment by Daoyang Junrui, please refer to “ – Capital Increase in August 2018” in this section.

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### **PRC Legal Advisor’s confirmation**

As advised by our PRC Legal Advisor, our Company has made all necessary registration or filings with the relevant local branch of SAMR in respect of the Pre-[REDACTED] Investments set out above, and the Pre-[REDACTED] Investments were conducted in compliance with the applicable PRC laws and regulations in all material aspects.

### **Special Rights of the Pre-[REDACTED] Investors**

Pursuant to the terms and conditions of the relevant pre-[REDACTED] investment agreements, certain Pre-[REDACTED] Investors have been granted certain customary special rights in relation to our Company, including, among others, information rights and divestment rights. Pursuant to the agreements entered into between the relevant Pre-[REDACTED] Investors and our Company and in compliance with Chapter 4.2 under the Guide, the relevant divestment rights were terminated immediately before the submission of the first [REDACTED], and all the other special rights will be terminated no later than the [REDACTED], subject to certain customary restoration events including, among others, our [REDACTED] not having been accepted, or having been rejected or returned, by the applicable stock exchange or regulatory authority.

### **Joint Sponsors’ Confirmation**

On the basis that (i) the [REDACTED], being the first day of [REDACTED] of the H Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-[REDACTED] Investments and (ii) the special rights granted to the Pre-[REDACTED] Investors pursuant to the relevant pre-[REDACTED] investment agreements have been terminated immediately before submission of the first [REDACTED] and/or will be terminated no later than the [REDACTED], as the case may be, the Joint Sponsors confirm that the investments by the Pre-[REDACTED] Investors are in compliance with Chapter 4.2 of the Guide published by the Stock Exchange.

### **Information of the Pre-[REDACTED] Investors**

The background information of the Pre-[REDACTED] Investors is set out below.

#### ***Mingyang Investment***

Mingyang Investment is a limited partnership established in the PRC, whose general partner is Xu Lizhen (徐麗貞). As of the Latest Practicable Date, Mingyang Investment was held as to 40.28%, 37.32% and 22.39% by Xu Lizhen, Jiang Chaokai (江朝凱) and Chen Songqing (陳宋卿), respectively. Xu Lizhen is a family relative of the ultimate beneficial owner(s) of one of our suppliers and authorized suppliers, and Chen Songqing is a family relative of the ultimate beneficial owner(s) of one of our franchisees and authorized suppliers. Jiang Chaokai is an individual investor and, to our best knowledge, has no family relations with our suppliers, authorized suppliers or franchisees. To the best of our Company’s knowledge, each of Xu Lizhen, Jiang Chaokai and Chen Songqing is an Independent Third Party.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### *Xianglong Chuangmei*

Xianglong Chuangmei is a limited partnership established in the PRC, whose general partner is Lin Xiangjie (林祥傑), an employee of our Company and an Independent Third Party, holding 0.70% of the partnership interests. Xianglong Chuangmei is an investment platform of our business partners primarily including certain of our suppliers, authorized suppliers and franchisees. As of the Latest Practicable Date, there were 17 limited partners in Xianglong Chuangmei, 16 of whom were our suppliers, authorized suppliers and franchisees, and the remaining one limited partner was our employee and an Independent Third Party. Each of the limited partners of Xianglong Chuangmei held less than one-third of the partnership interests therein. To the best of our Company’s knowledge, each of the limited partners of Xianglong Chuangmei and their ultimate beneficial owners is an Independent Third Party.

### *Yongcheng No. 15*

Yongcheng No. 15 is a limited partnership established in the PRC, whose general partner is Shenzhen Yongcheng Capital Management Co., Ltd. (深圳市永誠資本管理有限公司). As of the Latest Practicable Date, Shenzhen Yongcheng Capital Management Co., Ltd. held 0.34% of the partnership interests in Yongcheng No. 15. Shenzhen Yongcheng Capital Management Co., Ltd. was owned as to 50% by Wu Yongping (吳永平) and 50% by Shenzhen Yongcheng Industrial Management Co., Ltd. (深圳市永誠實業管理有限公司), which in turn was owned as to 75% by Wu Yongping and 25% by Wu Dongqing (吳冬清), respectively. As of the Latest Practicable Date, Yongcheng No. 15 had 6 limited partners. Save for Shenzhen Yongcheng No. 3 Investment Partnership (Limited Partnership) (深圳市永誠叁號投資合夥企業(有限合夥)) which held 34.48% of the partnership interests in Yongcheng No. 15 and ultimately owned by Wu Yongping, the other limited partners each held less than one-third of the partnership interests in Yongcheng No. 15 as of the Latest Practicable Date. To the best of our Company’s knowledge, each of the partners of Yongcheng No. 15, Wu Yongping and Wu Dongqing is an Independent Third Party.

### *Di Ai Jewelry*

Di Ai Jewelry is a limited liability company established in the PRC and was wholly-owned by Zhang Changcheng (張長城) as of the Latest Practicable Date. Zhang Changcheng is a family relative of the ultimate beneficial owner(s) of one of our authorized suppliers. To the best of our Company’s knowledge, Zhang Changcheng is an Independent Third Party.

### *Zhengfu Investment*

Zhengfu Investment is a limited liability company established in the PRC, and was owned as to 58.00% by Zhou Zhenhui (周鎮輝) and 42.00% by Zheng Lingjuan (鄭玲娟) respectively as of the Latest Practicable Date. Each of Zhou Zhenhui and Zheng Lingjuan is a family relative of the ultimate beneficial owner(s) of one of our suppliers and authorized suppliers. To the best of our Company’s knowledge, each of Zhou Zhenhui and Zheng Lingjuan is an Independent Third Party.

With respect to the abovementioned Pre-[REDACTED] Investors who are owned, or are related to, our business partners, the relevant business partners, individually or in aggregate, had not made a material contribution to the revenue and/or the procurement costs of our Group during the Track Record Period.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### SHAREHOLDING STRUCTURE OF OUR COMPANY

The table below sets forth the shareholding structure of our Company as of the Latest Practicable Date and the [REDACTED] (assuming the [REDACTED] is not exercised):

Shareholder	As of the Latest Practicable Date		As of the [REDACTED]
	Number of Shares	Approximate shareholding percentage	Approximate shareholding percentage (assuming the [REDACTED] is not exercised) (Approx.)
Ruoshui United	138,677,353	36.62%	[REDACTED]%
Shangshan United	104,008,014	27.46%	[REDACTED]%
Qiankun United	102,151,978	26.97%	[REDACTED]%
Chuangming Investment	10,009,537	2.64%	[REDACTED]%
Xianglong Chuangmei	7,164,832	1.89%	[REDACTED]%
Shaobo Investment	5,445,188	1.44%	[REDACTED]%
Meiyu Investment	4,564,349	1.21%	[REDACTED]%
Yongcheng No. 15	2,558,868	0.68%	[REDACTED]%
Di Ai Jewelry	1,791,208	0.47%	[REDACTED]%
Mingyang Investment	1,317,654	0.35%	[REDACTED]%
Zhengfu Investment	1,023,547	0.27%	[REDACTED]%
<b>Total</b>	<b><u>378,712,528</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

### FULL CIRCULATION

Our Company has applied for H Share full circulation to convert an aggregate of [REDACTED] Unlisted Shares held by all 11 existing Shareholders, representing approximately [REDACTED]% of the total issued Shares of our Company as of the Latest Practicable Date and approximately [REDACTED]% of the total issued Shares of our Company upon completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised). For details, please refer to the section headed “Share Capital – Upon Completion of the [REDACTED]” in this document.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### PUBLIC FLOAT

[REDACTED] Shares controlled by the Controlling Shareholders Group (being Mr. Li Weizhu, Mr. Li Weipeng, Shenzhen Zhou Liu Fu, Roushui United, Shangshan United, Qiankun United and Chuangming Investment) and Shaobo Investment, all being our core connected persons or otherwise fall under the situations as contemplated under Rule 8.24 of the Listing Rules, representing approximately [REDACTED]% of our total issued Shares as of the Latest Practicable Date and approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] is not exercised), will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

To the best knowledge of our Directors and after due enquiries, [REDACTED] Shares, representing approximately [REDACTED]% of our total issued Shares as of the Latest Practicable Date and approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] is not exercised), held by the remaining Shareholders other than the above-mentioned Shareholders will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules upon the [REDACTED]. Taking into account the [REDACTED] (assuming completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] is not exercised), [REDACTED] Shares, representing [REDACTED]% of our total issued Shares upon [REDACTED] will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules. For details, see “Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Public Float”.

### PREVIOUS A-SHARE LISTING ATTEMPTS

To explore the opportunity of establishing a capital market platform in the A-share market, we first applied to the CSRC for the listing of our Shares on the Shenzhen Stock Exchange (the “SZSE”) in April 2019 which was accepted by the CSRC in May 2019 (the “**First A-Share Listing Attempt**”). In November 2020, upon the CSRC’s review, our First A-Share Listing Attempt was not approved. Based on The Decision of Not Approving the Application for Initial Public Offering and Listing by Zhou Liu Fu Jewellery Co., Ltd. (《關於不予核准周六福珠寶股份有限公司首次公開發行股票並上市申請的決定》) issued by the CSRC, the CSRC noted that, among others, the revenue growth of our principal business during the track record period for the First A-Share Listing Attempt was significantly higher than our comparable industry peers, our revenue attributable to the franchise model accounted for a high percentage and that the average sales of our newly opened franchise stores were significantly higher than our average store sales. Subsequently in June 2022, our Company made a second application to the CSRC for the listing of our Shares on the SZSE, and the CSRC accepted our second A-share listing application in June 2022 (together with the “**First A-Share Listing Attempt**”, the “**Previous A-Share Listing Attempts**”). Due to the regulatory reform regarding the change of the approval-based IPO system to the registration-based IPO system, our A-share listing application was transferred to and had been handled by the SZSE since the end of February 2023.

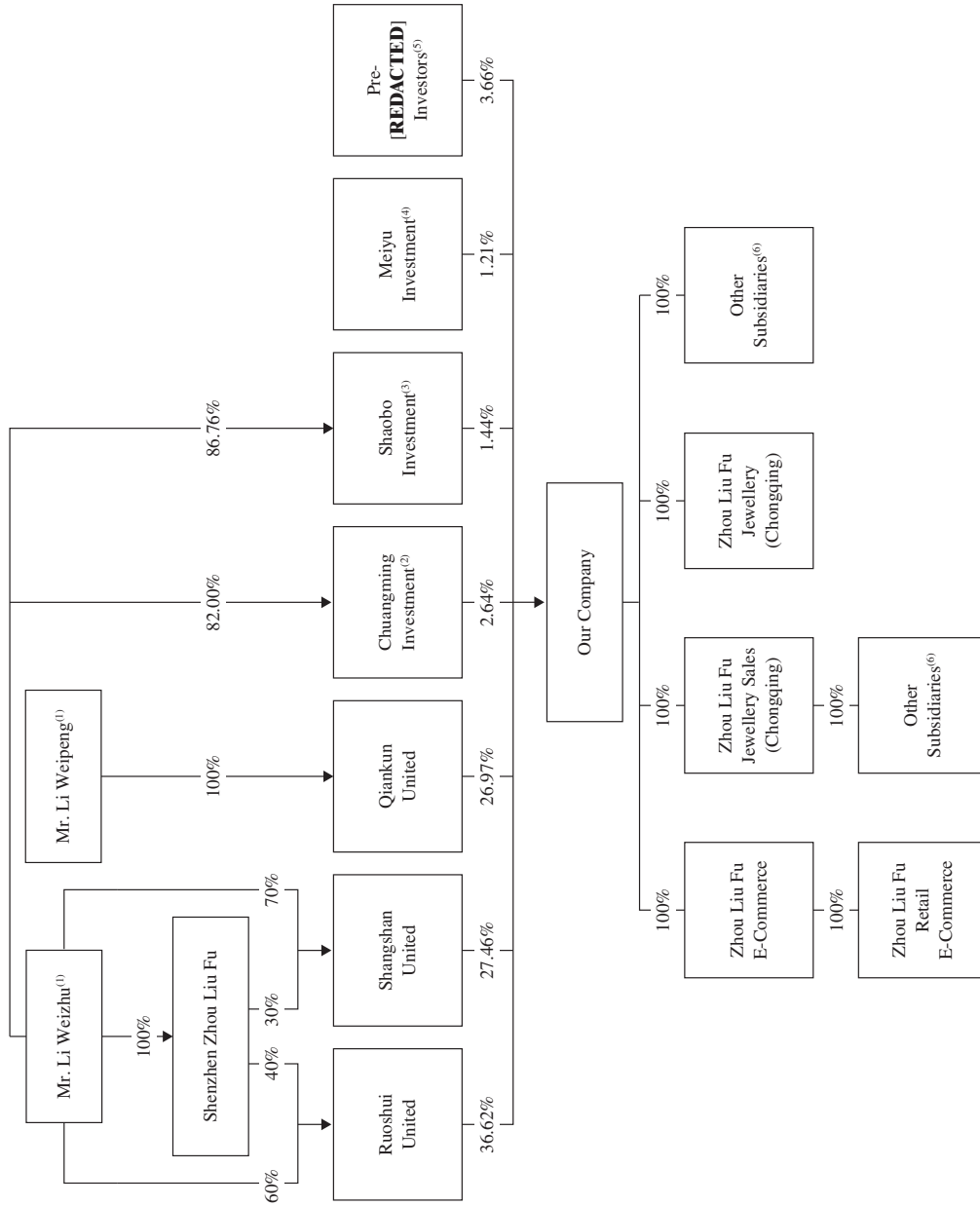
Considering the domestic and overseas capital market conditions and our future development strategies, we voluntarily withdrew our second A-share listing application in November 2023. Considering the access to foreign capital and overseas markets after [REDACTED] on the Stock Exchange, which may also enable us to gain broader market acceptance, we decided to pursue a [REDACTED] on the Stock Exchange.

To the best knowledge and belief of our Company, we are not aware of any matters relating to the Previous A-Share Listing Attempts which have been brought to our attention that would materially and adversely affect our suitability for the [REDACTED].

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### OUR SHAREHOLDING STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart sets forth our shareholding structure immediately prior to the completion of the [REDACTED]:



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

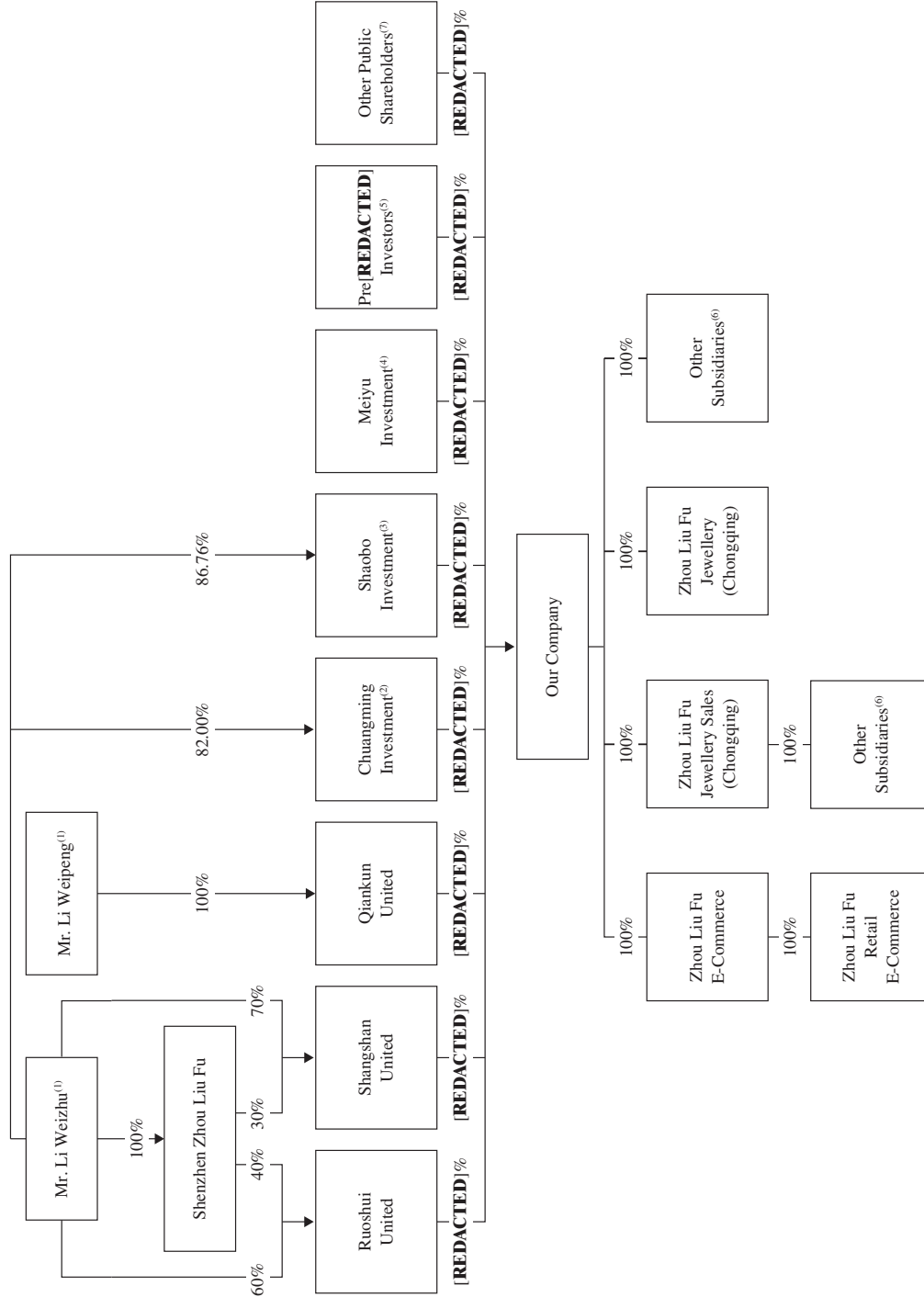
*Notes:*

- (1) On June 1, 2024, Mr. Li Weizhu and Mr. Li Weipeng entered into the Acting-in-Concert Agreement, pursuant to which Mr. Li Weizhu and Mr. Li Weipeng agreed and confirmed, among other things, that they (together with their respective wholly-owned companies and the relevant shareholding platforms) had been acting in concert to vote at the general meetings of our Company and meetings of the Board with each other since January 1, 2021 and would continue to act in the same manner until the date on which either party no longer holds, directly or indirectly, any Shares in our Company (unless otherwise agreed upon by both parties through negotiation with good faith).
- (2) As of the Latest Practicable Date, Mr. Li Weizhu was the general partner of Chuangming Investment and held approximately 82.00% of the partnership interest therein. The remaining partnership interest was held by three limited partners of Chuangming Investment, namely Mr. Xie Mingyu, our executive Director and deputy general manager, Mr. Zhong Xipeng, our executive Director and chief e-commerce officer, and Mr. Wu Yang, our deputy general manager, secretary of the Board and joint company secretary who was also a former Director in the last 12 months, as to 13.33%, 2.67% and 2.00%, respectively.
- (3) As of the Latest Practicable Date, Mr. Liao Shuwen, the general manager of the self-operated center of our Company and a director of certain of our subsidiaries, was the general partner of Shaobo Investment and held approximately 3.19% of the partnership interest therein. The limited partners of Shaobo Investment included Mr. Li Weizhu, Mr. Wu Zhuanglin (a former management member of our Group), Mr. Wu Yang, Ms. Li Caiping (our employee representative Supervisor) and Ms. Lin Liuzhi (chairperson of our Supervisory Committee), who held approximately 86.76%, 1.96%, 4.90%, 1.96% and 1.23% of the partnership interest, respectively. As a limited partner, Mr. Li Weizhu does not exercise management control over Shaobo Investment.
- (4) As of the Latest Practicable Date, Ms. Li Yanmei (an employee of our Company and an Independent Third Party) was the general partner of Meiyu Investment and held approximately 7.89% of partnership interest therein. Meiyu Investment had 46 limited partners who were our current or former employees, including Mr. Wu Yang and other employees who were Independent Third Parties, which held in aggregate approximately 92.11% partnership interest in Meiyu Investment.
- (5) Other Pre-[REDACTED] Investors include Mingyang Investment, Xianglong Chuangmei, Yongcheng No. 15, Di Ai Jewelry and Zhengfu Investment. For further details, please refer to the sub-section headed “Pre-[REDACTED] Investments – Information of the Pre-[REDACTED] Investors”.
- (6) Our subsidiaries are set out in Note 1 of the Accountants’ Report in Appendix I to this document.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### OUR SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

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



Notes:

(1) to (6) See the respective notes to the shareholding structure of our Group immediately prior to the [REDACTED].

(7) Other Public Shareholders are the Shareholders [REDACTED] for the [REDACTED].



---

## BUSINESS

---

### OVERVIEW

#### Who We Are

We are a leading and fast growing jewelry company in China. Leveraging our comprehensive network of offline stores and online sales channels, we provide end consumers with a diverse portfolio of high-quality jewelry products.

We are committed to maintaining high standards of quality and craftsmanship in all of our products. Our commitment has helped us build and sustain a competitive advantage and achieve economies of scale. According to Frost & Sullivan, in terms of number of stores in China, we have consistently ranked among the five largest brands in the Chinese jewelry market for seven consecutive years from 2017 to 2023, and in terms of CAGR of jewelry revenue from 2021 to 2023, we ranked first among jewelry companies with nationwide operations in China.

Our brand is widely recognized and enjoys strong consumer loyalty. With over two decades of experience in the Chinese jewelry industry, we have a deep understanding of the industry’s dynamics and have maintained a strong position in a competitive market. We believe that our timely and effective strategic positioning in response to emerging trends, such as new sales channels and changing consumer preferences, has allowed us to achieve significant growth in performance and contribute to advancement and innovation within the industry.

We have established a widespread network of retail stores across China. As of December 31, 2023, our offline sales network had a total of 4,383 stores (including both franchise stores and self-operated stores), spanning 31 provinces and 301 prefecture-level cities and divisions. According to Frost & Sullivan, as of December 31, 2023, we ranked (i) fourth in terms of number of stores in China among Chinese jewelry brands; and (ii) third in terms of number of offline stores in the southern area of China, where our business started, among Chinese jewelry brands.

We have actively expanded our online sales channels, achieving notable success. From 2021 to 2023, we recorded a CAGR in online sales revenue of 53.7%, with online sales revenue accounting for 33.9% of our total revenue in 2023. According to Frost & Sullivan, in terms of both figures, we ranked first among jewelry companies with nationwide operations in China.

#### Our Development Path

In 2004, Mr. Li Weizhu, our chairman of the Board, and Mr. Li Weipeng, our vice chairman of the Board, founded our Company in Luohu District, Shenzhen. At that time, the State Council ended the administrative approval requirement for gold production, processing, wholesale and retail, leading to the opening up of the Chinese jewelry industry. Our founders seized this historic opportunity and embarked on a mission to create a signature Chinese jewelry brand, dedicated to preserving China’s longstanding “prosperity culture” (福文化) and bringing “Chinese prosperity ornaments” (中華福飾) to Chinese families.

With the continuous development of China’s economy, there was substantial demand in the mass market for jewelry consumption. This included widespread use in weddings, fashionable daily wear, gift-giving during festive celebrations and for investment. Consequently, we chose gold jewelry and diamond-set jewelry, two major products in the jewelry market, as our primary products.

## BUSINESS

We identified significant demand for value-for-money gold jewelry in the mass and lower tier markets, which was not previously being met. Therefore, in the early phase of our development, we strategically focused on Third-Tier Cities and other lower tier cities and suburban areas of First-Tier and Second-Tier Cities nationwide. Following a strategy of upgrading our brand and enhancing our regional footprint, we then strategically expanded our focus towards higher-tier cities, achieving comprehensive and balanced store coverage across various city tiers. According to Frost & Sullivan, we are the fastest among Chinese jewelry brands to reach the milestone of 4,000 stores from the time of inception. Our products have been a part of important moments of our end consumers' lives, and their support has contributed to our steady growth and improvement.

According to Frost & Sullivan, South China has led the nation in gold jewelry consumption per capita and has maintained a highly mature commercial operating environment. We started our business in South China, and our headquarters is located in Shuibei, Luohu District, Shenzhen, a core hub for China’s jewelry industry, according to Frost & Sullivan. The area provides us with a substantial upstream supply chain cluster, which ensures a stable and efficient supply of product. We believe that our economies of scale further enhance our influence among our suppliers, allowing us to select quality suppliers and establish long-term, stable and close cooperation with them, creating a continuously self-reinforcing cycle. We have applied such successful experiences from South China to the broader national market, developing local suppliers in certain regions and adopting flexible procurement strategies catered to local conditions, thereby enhancing the procurement efficiency of our franchisees.

Throughout our development path, we have navigated through multiple industrial and economic cycles, which attests to the resilience of our business model. We expect to see our “Zhou Liu Fu” brand continue to rejuvenate and achieve sustained growth.

### Our Business Model

Our business model integrates jewelry product development and design, procurement and supply, franchising and brand operation. We have created an open and mutually beneficial commercial environment that efficiently links the various streams in the industry value chain. Set forth below is an overview of our business model:



---

## BUSINESS

---

End consumers may purchase our products from our franchise stores, our self-operated stores and online sales channels. These products are: (i) procured by our franchisees from authorized suppliers (third-party suppliers that have been officially authorized by us), or (ii) procured by us from our suppliers. Our franchisees also procure certain products directly from us, which were provided by our suppliers.

To ensure the quality of the products in our sales network, we have established a procedure for the admission of products sourced from authorized suppliers into our product system, ensuring that every product purchased from authorized suppliers by our franchisees undergoes our quality inspection processes and can be traceable before franchisees are allowed to sell these products under our brand. This procedure enhances the protection for our end consumers.

Our business model ensures our operational flexibility, market responsiveness and competitiveness, through providing value to the industry stakeholders:

- ***For End Consumers:*** Through our comprehensive online and offline sales network, we offer end consumers a quality shopping experience. We carefully analyze consumer demands and aesthetic preferences, focusing on a differentiated product mix tailored to various channels, geographic regions and end consumer profiles. Each store is designed with the goal of meeting specific product needs and offers a customized business approach, enhancing the overall shopping experience for end consumers.
- ***For Franchisees:*** We provide franchisees with access to upstream supplier resources, offering them the flexibility to make procurement decisions. This approach encourages franchisees to adapt to local market conditions and combine their own needs with local consumer preferences. Our authorized suppliers are diverse and rigorously selected, ensuring both availability of choice and consistent product quality for our franchisees. Procurement by franchisees from authorized suppliers fosters healthy competition among authorized suppliers while reducing the intermediary transactional costs typically found in traditional supply chains, thus enhancing the efficiency of order fulfillment.
- ***For Suppliers:*** We provide suppliers with stable, significant business opportunities. We provide regular feedback to our suppliers based on our inspections on the goods provided by them.
- ***For Authorized Suppliers:*** Our business model gives authorized suppliers the opportunity to do business with our franchisees in a direct, flexible manner. By directly interacting with franchisees, our authorized suppliers are able to more accurately and timely meet diverse product needs and gain an understanding of market trends.

### **Our Financial Performance**

Our revenue increased by 11.4% from RMB2,783.1 million in 2021 to RMB3,101.7 million in 2022, and further increased by 66.0% to RMB5,149.6 million in 2023. Our net profit also increased by 35.2% from RMB425.4 million in 2021 to RMB575.2 million in 2022, and further increased by 14.7% to RMB659.7 million in 2023. We consistently generated positive net cash flows from operating activities, amounting to RMB490.7 million, RMB138.9 million and RMB403.9 million in 2021, 2022 and 2023, respectively.

---

## BUSINESS

---

### COMPETITIVE STRENGTHS

#### Leading Jewelry Company with Rapid Growth and Substantial Growth Potential

**We are a leading jewelry company in China.** Leveraging our business scale, we empower key participants in the industry chain, including franchisees and suppliers, to grow alongside us. Our sophisticated management permeates our franchise and supply chain systems, ensuring efficient operation and quick market response. Additionally, we have been keenly observing the Chinese jewelry industry trend to accurately capture consumer preferences and foster our brand’s vitality and competitiveness. According to Frost & Sullivan:

- As of December 31, 2023, we ranked fourth in terms of the number of offline stores in China and third in terms of number of offline stores in the southern area of China, among Chinese jewelry brands;
- In 2023, we ranked first among jewelry companies with nationwide operations in China in terms of online sales revenue proportion; and
- In 2023, we ranked third in terms of number of jewelry inspected in the National Gems & Jewelry Testing Co. Ltd.

#### **We are among the fastest-growing companies in the Chinese jewelry industry.**

- From 2021 to 2023, our total revenue growth achieved a CAGR of 36.0%, and our online sales revenue growth achieved a CAGR of 53.7%. According to Frost & Sullivan, both growth rates not only ranked first among jewelry companies with nationwide operations in China, but also significantly exceeded the industry averages of 13.8% and 18.9%, respectively, during the same period; and
- Since our inception in 2004, our store network has expanded quickly. According to Frost & Sullivan, we are the fastest among Chinese jewelry brands to reach the milestone of 4,000 stores from the time of inception; and
- Under our franchise model, our average revenue generated from each franchise store increased from RMB456.8 thousand in 2021 to RMB690.6 thousand in 2023, and our average gross profit generated from each franchise store increased from RMB186.3 thousand in 2021 to RMB221.2 thousand in 2023.

---

## BUSINESS

---

**We have substantial growth potential.** In the early phase of our development, we strategically positioned ourselves in Third-Tier Cities and other lower tier cities as well as suburban areas of First-Tier and Second-Tier Cities, effectively establishing a broad store network to capitalize on the industry trend. Additionally, our headquarters is located in Shuibei, Luohu District, Shenzhen, a core hub for China’s jewelry industry, according to Frost & Sullivan. It enhances our focus on developing jewelry products and contributes to our growth. Our same store revenue from self-operated stores grew by 38.9% from RMB316.8 million in 2022 to RMB440.1 million in 2023.

The evolving aesthetics and shopping habits of young consumers are playing an increasingly crucial role in the development of the jewelry industry. In response to the demands and preferences of the younger generation, we have enhanced our product development efforts towards more fashionable offerings and have actively expanded our online sales channels.

China’s jewelry industry is becoming increasingly concentrated. According to Frost & Sullivan, in 2023, the aggregate market share held by the five largest gold jewelry companies in terms of number of stores in China was 37.7%, up from 31.6% in 2018. As the jewelry industry continues to integrate its supply chains and as consumer awareness towards branded products strengthens, we believe that our market share and influence as a leading brand will continue to rise.

### **Extensive Offline Sales Network and Rapidly Expanding Online Channels**

We adopt a balanced approach to our sales network, leveraging a franchise model as the primary focus while also growing our self-operated stores. Through this approach, we have achieved broad and deep market coverage across China:

- As of December 31, 2023, we had a total of 4,383 stores (including both franchise stores and self-operated stores), spanning 31 provinces and 301 prefecture-level cities and divisions;
- According to Frost & Sullivan, as of December 31, 2023, we ranked fourth in terms of the number of stores among Chinese jewelry brands; and
- We maintain strong presence in the southern area of China, where our business started. According to Frost & Sullivan, as of December 31, 2023, we ranked third in terms of the number of offline stores in the southern area of China among Chinese jewelry brands.

We prioritize the reach of a broad consumer base by expanding our store network through collaborations with franchisees, covering key markets and capitalizing on growth in the jewelry industry. We also actively ensure balanced development across all city tiers. As of December 31, 2023, the percentages of our stores in First-Tier Cities, Second-Tier Cities and Third-Tier Cities and other lower tier cities accounted for 8.4%, 34.7% and 56.9% of the total number of stores, respectively.

Each of our store locations, whether self-operated store or franchise store, is carefully chosen with a focus on high-traffic, premium commercial areas to ensure broad consumer reach and enhanced sales efficiency. As of December 31, 2023, over 50% of our total stores were located in shopping malls and department stores.

---

## BUSINESS

---

Our proactive and strategic foresight extends to our expansion in the e-commerce sector. We have launched product lines and pricing strategies tailored for the online shopping environment and end consumers, which allows us to more precisely target the online market and accelerate our online coverage. From 2021 to 2023, our online sales revenue increased at a CAGR of 53.7%, with online sales revenue in 2023 accounting for 33.9% of total revenue. According to Frost & Sullivan, in terms of both figures, we ranked first among jewelry companies with nationwide operations in China.

According to Frost & Sullivan, our online sales operations have achieved a leading position across multiple e-commerce platforms. In 2023, we received multiple awards such as the JD.com retail-gold jewelry division’s “best single product of the year” as well as Tmall’s “flagship store five-star service shop” award. Furthermore, we are actively expanding into other online sales channels, including social network e-commerce platforms such as Pinduoduo, live broadcast e-commerce platforms such as Douyin and Kuaishou and vertical fashion e-commerce platform such as Dewu. Through these diversified online sales channels, we not only enhance interaction with end consumers but also increase brand recognition in the jewelry market, thereby gaining broader sales opportunities.

### **Widely Renowned and Highly Recognized Brand**

Over our two decades of development, we have strengthened our product quality and brand value and have earned consumer trust and loyalty as well as industry recognition. We have been recognized as “China’s well-known trademark” by several provincial and municipal courts, the “Shenzhen time-honored brand” awarded by the Shenzhen Old Brand Association, China’s 500 Most Valuable Brands by the World Brand Lab and the “top ten influential brands in Guangdong” by the Guangdong Chain Operation Association. From 2022 to 2024, we collaborated for three consecutive years with the “Growing of the Great Brand” program on China Central Television to create and broadcast our brand story films. Additionally, our Company has served as the vice president member entity of the sixth council of the China Gem and Jewelry Trade Association since 2019.

Our brand is enhanced through the following approaches:

**Growing market recognition:** Our brand is in the phase of ongoing development and upgrading, with increasing market influence. For instance, we had 278 stores opened in Wanda Plazas and 25 stores opened in China Resources Mixc malls as of December 31, 2023. This reflects the recognition of our brand by prestigious shopping malls and indicates our potential for growth in these shopping malls. In terms of online sales channel, our products achieved outstanding rankings on the gold and jewelry bestseller lists on platforms like Tmall and JD.com in 2023, securing multiple spots among the top twenty lists on both platforms respectively.

---

## BUSINESS

---

**Diverse product series:** Our jewelry is a medium for expressing our end consumers’ emotional and social values. We are committed to diversifying our products to meet end consumers’ jewelry needs for various occasions and life stages, ensuring that each purchase that our end consumers make is one of confidence and individuality. For instance, our “lucky Loong”(“祥龍納福”) series appeals to hopes for the new year and newborn celebrations, and the “perfect couple”(“金囍良緣”) series is designed for weddings and embodies our best wishes for love and marriage.

**Pursuit of craftsmanship:** Driven by a deep understanding of market trends and consumer needs, we develop robust product design and development capabilities and launched widely popular products. Our Ancient Craftsmanship (“璽古金”) series utilizes traditional gold craftsmanship techniques and elements such as auspicious symbols, mythical creatures and traditional patterns and was our top one series in 2023. Our Boundless Gold (“無極金”) series employs advanced 5G and 5D gold crafting techniques and remained among our top five best seller series since its launch.

**Brand collaborations:** We actively engage in cross-sector collaborations to promote traditional Chinese culture through innovative design concepts. Notable examples include our collaboration with the Summer Palace to create the “imperial garden fantasy”(“頤和仙境”) series, which combines traditional Chinese totems, concepts and aesthetics into our jewelry designs, showcasing our ability to innovate by blending traditional cultural elements with modern jewelry design. We also collaborate with popular IPs such as Game for Peace to strengthen our brand recognition among younger consumers.

**Brand promotion strategies:** We leverage offline events such as “trendy pop-up stores” and new media platforms like Douyin and Xiaohongshu to increase brand visibility. Our marketing efforts also include advertisement placements in TV shows and drama, KOL, livestreams and other methods to enhance our brand appeal. These strategies allow us to establish widespread brand awareness across various channels and consumer groups.

### **Open and Mutually Beneficial Franchise Model with Long-term and Efficient Franchisee Partners**

We attach great importance to the mutually beneficial relationships with our franchisees and consider them as key partners in our growth. We believe that stable and enduring franchise relationships foster a deep understanding of our brand among franchisees, ensuring uniform implementation of our brand philosophy and service standards across all franchise stores, thereby guaranteeing a consistent consumer experience.

We provide our franchisees with access to our upstream supply chain resources, allowing them to purchase from our authorized suppliers based on local market preferences and their specific needs. This strategy not only encourages procurement by our franchisees but also facilitates our product launches leveraging their insights in local markets.

---

## BUSINESS

---

Our open and mutually beneficial franchise model has fostered long-term and robust relationships with our franchisees. As of December 31, 2023, we had 3,666 franchisees. Many of our franchisees are affiliated with each other through familial, friendship or other relationships, resulting in multiple franchisees being under common control. This structure, which we refer to as a “Franchisee Group”, allows for more cohesive and efficient operational management for franchisees, promoting a collaborative environment where best business practices and resources can be easily shared among franchisees, thus enhancing the overall performance and stability of our franchise network. As of December 31, 2023,

- Each of our three largest Franchisee Groups had over 40 franchise stores and the largest Franchisee Group had 58 stores;
- Stores operated by Franchisee Groups with at least three franchise stores accounted for over 50% of our total franchise stores; and
- Over 50% of the new franchise stores opened in 2023 were established by existing Franchisee Groups.

These figures not only underscore our franchisees’ strong confidence in our business model and profitability but also reflect their recognition of the long-term value of the brand. Our leading market position attracts and retains top-quality franchisees, whose excellent operational capabilities in turn help us expand our store footprint. Our franchise model thus reinforces itself in a positive cycle, achieving sustainable and healthy growth.

We believe the growth and prosperity of our franchisees are crucial for our brand expansion and market competitiveness. To support their business development, we provide a range of resources and assistance, including business planning, training, promotional support and digital tools. We ensure that franchisees can effectively leverage our resources to maximize their potential and maintain a consistent brand image.

Through these approaches, we not only improve the operational efficiency and profitability of our franchisees but also strengthen their connection with our brand. The in-depth collaborative relationship ensures that franchisees can cope with market changes and seek new growth opportunities together with us. We expect, through continuous cooperation and support, our franchise network to further expand and our brand influence to continue to grow globally.

### **Outstanding Supply Chain Management Capability and Rigorous Quality Control Systems**

Through our efficient and flexible supply chain management, we ensure both the high quality of our products and our quick responsiveness to market demands. Our headquarters is located in Shuibei, Luohu District, Shenzhen, a core hub for China’s jewelry industry, according to Frost & Sullivan. We leverage this advantage in location to maintain a robust and stable network of high-quality suppliers. Our five largest suppliers in 2023 had an average relationship of 8.3 years with us as of December 31, 2023.



---

## BUSINESS

---

We apply an evaluation system that considers various factors including production capabilities, creditworthiness, quality control, intellectual property protection and pricing competitiveness in our supplier selection and management processes. This multifaceted assessment ensures that we adapt flexibly to market changes while consistently maintaining high-quality standards for our products. To ensure the flexibility of our supply chain and the continuity of product supply, we make sure that we have at least two suppliers for each product type.

Our authorized supplier model allows our franchisees to procure goods from authorized suppliers so as to meet their diverse needs in products. Every product procured by franchisees from authorized suppliers must undergo quality inspection, tagging and admission into our product system before being sold under our “Zhou Liu Fu” brand, ensuring uniformity in product quality and brand image. This strategy allows us to operate with a light asset model and focus our resources on core products and brand operations, thus enhancing our overall business efficiency.

In terms of quality control, we have established a system centered around supplier qualification, product quality inspections and product patent protections. Our three-level quality inspection system includes (i) authorized supplier or supplier self-inspections, (ii) inspections by national or provincial quality testing institutions and (iii) our internal re-inspections, ensuring that every piece of jewelry sold meets high-quality standards. Our commitment to quality has earned us several industry certifications and honors, including “national jewelry industry quality leader”, “national product and service quality integrity model enterprise” and “national quality integrity benchmark enterprise”. These recognitions reflect our efforts in quality management and help strengthen consumer and market trust in our brand. We are also committed to protecting intellectual property rights. As of the Latest Practicable Date, we had 257 registered trademarks, 713 patents, 696 copyrights, 18 software copyrights and three domain names in China and 97 registered trademarks overseas. This portfolio not only demonstrates our strength in innovation and design but also provides robust intellectual property protection for our products.

### **Experienced, Dynamic and Visionary Management Team**

We are guided by an experienced and professional management team. Mr. Li Weizhu, our chairman of the Board, possesses over twenty years of experience in the gold jewelry industry. He has served as the vice president of the sixth council of the China Gem and Jewelry Trade Association since 2019. His extensive industry knowledge and forward-looking strategies have been instrumental in making prudent decisions at various stages of our development. Additionally, our management team is youthful and dynamic. As of December 31, 2023, the average age of our Directors, Supervisors and senior management was approximately 43 years old, making us the youngest among gold jewelry companies with nationwide operations in China, according to Frost & Sullivan. This youthfulness infuses our team with vitality and strong ability to grasp market trends and the preferences of younger consumers.

---

## BUSINESS

---

Our management team advances our development by establishing precise brand positioning, integrating high-quality product design and development and production resources, strictly controlling product quality and continually strengthening sales channel management. These strategies have allowed us to develop a dual-drive model of franchise and self-operated stores and interactions between online and offline channels. Our management team showcases professional operational efficiency and outstanding strategic execution capabilities, covering various aspects of our operation, including franchise management, self-operated store management, supply chain, operational support and functional support.

### OUR STRATEGIES

#### **Expand and Optimize Store Network to Refine and Enhance Store Operations and Management**

We intend to continue the expansion and optimization of our store network, aiming to establish a deep, extensive and high-quality sales network nationwide. Drawing on our extensive experience in the South China market, we plan to focus on more precise market penetration and sales network layouts, particularly in the East China and North China regions. We plan to expand our store network through a combination of self-operated stores and franchise stores. Self-operated stores will primarily serve to shape our brand image, while franchise stores will help to quickly increase our market coverage. Additionally, we plan to open more stores in certain core areas, especially in locations with high commercial potential, to enhance market share.

In terms of store operations management, we strive to improve the revenue and profitability of each of our stores. To achieve this, we plan to implement the following refined management measures:

- Providing more support for franchisees, including assistance with sales promotion and marketing strategies and prime location selection, providing training courses focused on operational management and strengthening the professional skills of store staff;
- Strengthening information technology infrastructure to optimize operational efficiency;
- Improving the order fulfillment capabilities of our supply chain to ensure timely product delivery; and
- Providing incentives to franchisees who perform exceptionally in key market areas, thereby encouraging them to further increase their revenue and profitability.

Furthermore, we plan to continuously upgrade and refine our store images in line with market trends and our brand culture, enhancing the distinctiveness and competitiveness of our stores.

---

## BUSINESS

---

### **Deepen Product Craftsmanship and Innovation to Enrich our Product Matrix**

We intend to continually expand our product series and closely monitor market trends and consumer preferences, with the goal to offer differentiated products and services tailored to various consumer groups and consumption scenarios. We place a high emphasis on emerging consumption channels and younger consumers. We intend to continually design product series that align with current trends in order to capture the niche markets and enhance the precision of our marketing efforts. We are committed to innovation in product design and development, through which we aim to create products that are widely recognized and associated with our “Zhou Liu Fu” brand, thereby enhancing our product reputation and solidifying consumer recognition and preference for our brand.

To continuously drive product innovation, we plan to continuously upgrade our product design and development center and strengthen our product design and development team. We are committed to recruiting and training professional talent to ensure our sustained advantage in product innovation. We aim to benchmark against leading international brands in terms of product development. We plan to integrate advanced global design concepts and craftsmanship technologies to ensure our products are competitive in the global market.

We intend to stay abreast of and incorporate the latest advancements in jewelry craftsmanship, particularly in emerging techniques such as gold inlay, to improve our level of craftsmanship and establish ourselves as a brand synonymous with exquisite craftsmanship. Additionally, we plan to deepen our design and development efforts and increase our patent output to drive technological innovation and product uniqueness.

We also plan to continuously enrich the product matrix of our branded product series that we sell directly to our franchisees. By enhancing the design and development of these products, we aim to increase the proportion of procurement made by franchisees from us, thereby increasing the revenue contribution from this segment.

### **Strengthen Brand Building and Enhance Brand Influence and Recognition**

We are committed to enhancing our brand’s visibility and influence through a brand-building strategy, innovative product applications, and strengthening the brand’s core values. In terms of brand development, we plan to increase investment to optimize our marketing network. We intend to employ a coordinated marketing strategy across both online and offline channels.

- For online channels, we plan to fully leverage promotion on e-commerce platforms, interactions with end consumers on social media, collaboration with KOLs and KOCs and TV show sponsorships, among others, to enhance our brand exposure, and engage in cross-sector collaborations to launch more unique products. In addition, we plan to create high-quality content that revolves around our core brand values to enrich our brand’s narrative and strengthen our emotional connection with end consumers; and

---

## BUSINESS

---

- For offline channels, we plan to enhance our brand visibility and consumer reach by continuously expanding our store network and securing high-quality retail locations in prime commercial areas. Additionally, we aim to deepen brand awareness and consumer experience through activities such as conducting interactive events with end consumers at our stores, hosting brand-themed events and establishing branded experience stores and pop-up stores in popular malls.

We plan to further enrich our brand matrix through the incubation or acquisition of new brands as appropriate, addressing the needs of different consumer groups. We intend to develop differentiated brand strategies across various dimensions, including product categories, pricing, and marketing content, aiming to cover a broader market demand. By encouraging cross-purchasing among different brands, we aim to enhance brand loyalty among end consumers.

### **Leverage Sales Opportunities from Channel Expansion**

We are committed to maintaining a forward-thinking approach in channel expansion, consolidating our leading position in existing online sales channels and seizing sales opportunities in new channels. We plan to further enhance the online service experience for end consumers, increase investments in online store webpage design, product updates, marketing promotion and live broadcasting. Additionally, we intend to apply big data technologies to improve personalized recommendations and consumer interactions, thereby enhancing the online shopping experience for our end consumers.

We consider rapidly developing new sales channels as one of the key drivers for our revenue. We strive to continuously observe the industry development trend and sales channel evolution, explore new social media platforms, live broadcast sale events and other potential new retail models to meet market trends and diverse consumer demands.

### **Optimize Digital Operations to Enhance Efficiency Throughout Our Operations**

We plan to continue investing in the optimization and upgrade of our information technology to support our digital operations and management. We expect to further enhance the information systems in our stores, enabling real-time data collection and analysis, optimize inventory management, improve customer service quality, increase sales efficiency and achieve more flexible and efficient store operations.

We intend to continue optimizing our mid-end platform systems to improve the efficiency and responsiveness of supply chain management, logistics distribution and customer relationship management. We plan to upgrade the modules within our existing information management system that cover order management, wholesale sales and inventory management. We believe that this will enhance the efficiency of data flow from raw material procurement to product manufacturing and sales, thereby optimizing product structure and inventory, improving management across various business segments and quickly responding to customer demands.

## BUSINESS

---

We plan to upgrade the member management platforms across both online and offline channels. By centralizing the management of our member information, and by building detailed consumer profiles through the application of big data, we aim to gain insights into consumption trends across different regions, consumer groups and products. We expect this not only to enhance the shopping experience for end consumers but also to streamline the process from product design to launch, shorten the time to market for new products and refine product positioning.

### **Improve Supply Chain Management Capabilities**

As our business continues to expand and our brand influence strengthens, we anticipate having greater leverage in our collaborations with upstream suppliers.

We anticipate possessing greater bargaining power in outsourced production and finished product procurement, which will allow us to achieve more effective cost control and enhance our profitability. Our business scale advantages will also allow us and our franchisees to secure more flexible procurement terms and more efficient delivery schedules, thereby enhancing our production flexibility and market responsiveness.

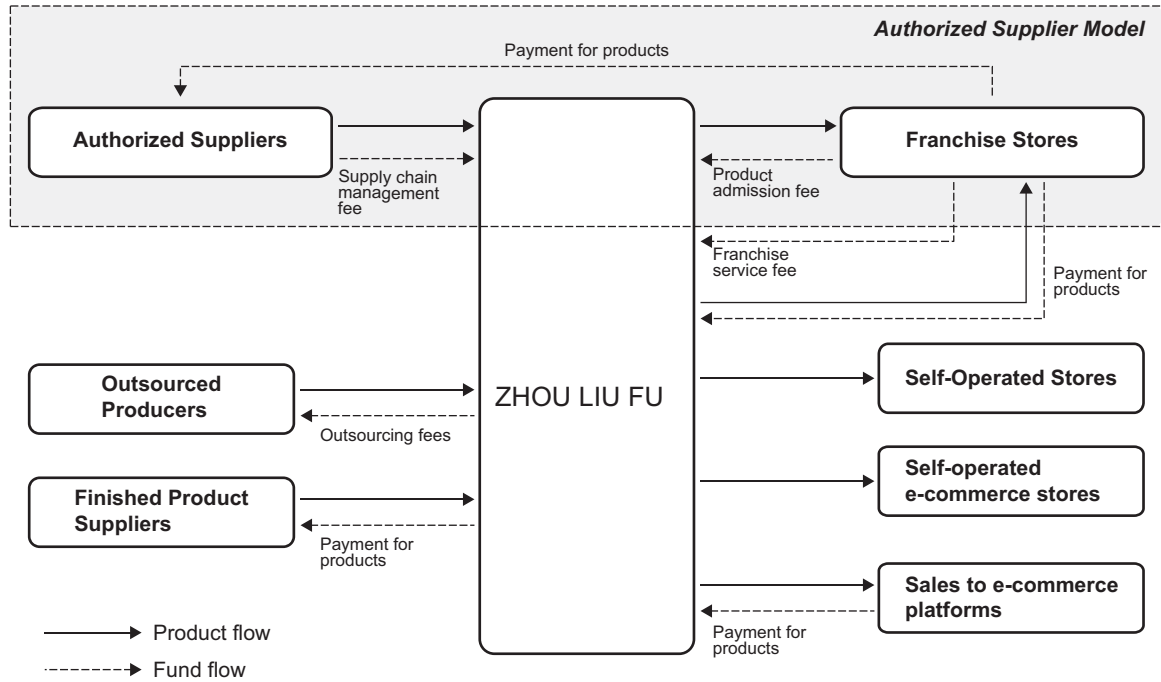
With respect to collaborative product design and development, we aim to collaborate with top design teams of our suppliers and increase their collaboration with our proprietary product design and development team to increase the proportion of products that highlight our brand’s unique features. Leveraging our long-term partnerships with suppliers, we aim to secure priority access to new designs and exclusive rights to certain trendy products, which will reinforce our product differentiation and competitive advantage.

At the same time, we strive to maintain strict oversight of authorized suppliers to ensure that all products undergo the required quality inspections before being admitted into our product system, thereby ensuring consistent product quality and maintaining high standards.

## BUSINESS

### BUSINESS FLOWCHART

The flowchart below sets forth the main product flows and fund flows in our business model.



Regarding the product flows:

- Authorized suppliers:
  - **Products are sold to our franchisees only, not us.** These products are delivered to us so we can conduct product inspection. After we have inspected the products, our franchisees typically pick up these products from us, or we will deliver these products to them.
  - Our franchisees procure a large majority of products from authorized suppliers.
  - Products are made with the raw materials procured by themselves.
- Outsourced producers:
  - Products are sold in all of our sales channels.
  - Products are made based on our design, for which we have the relevant intellectual property.
  - Products are made with the raw materials primarily procured by us.
- Finished product suppliers:
  - Products are sold primarily through online sales channels and at our self-operated stores.
  - Products are made with the raw materials procured by themselves.




## BUSINESS

### OUR PRODUCTS AND SERVICES

#### Products

##### Gold Jewelry




We offer a wide range of gold jewelry products, including our major series below to cover the evolving tastes of various consumer groups. The selling price of our gold jewelry is typically comprised of the crafting fee and the gold component of the jewelry.

Name of Product Series	Theme of Design	Product Showcase	Recommended selling price range to end consumers <sup>(1)</sup>
Ancient Craftsmanship series (“璽古金”)	Launched in 2021, this series utilizes traditional gold craftsmanship techniques and incorporates elements such as auspicious symbols, mythical creatures and traditional patterns, handcrafted to produce classic and sophisticated gold jewelry.		RMB120/gram to RMB180/gram of crafting fee plus the gold component
Essence (“粹”)	Inspired by traditional elements such as the “Fu” character, calabash and floral motifs, we launched this series combining motifs with advanced gold craftsmanship techniques in 2021, including 5G gold and traditional craftsmanship techniques, to create gold jewelry that reflects a modern interpretation of classic themes.		RMB120/gram to RMB150/gram of crafting fee plus the gold component
Dragon and Phoenix (“龍鱗鳳羽”)	Inspired by the scales of dragons and feathers of phoenixes, traditional symbols of auspiciousness and nobility in Chinese culture, we launched this series blending elements to embody the harmonious balance of strength and grace in 2021, a theme prevalent in Chinese traditions.		RMB120/gram to RMB150/gram of crafting fee plus the gold component

*Note:*

(1) The recommended selling prices to end consumers are for general illustrative purpose only.

## BUSINESS

Name of Product Series	Theme of Design	Product Showcase	Recommended selling price range to end consumers <sup>(1)</sup>
Boundless Gold (“無極金”)	Launched in 2021, this series derives inspiration from elements such as geometry, bows, koi, and traditional Ruyi, integrating these with advanced 5G and 5D gold crafting techniques.		RMB180/gram to RMB200/gram of crafting fee plus the gold component
Zodiac series (“生肖系列”)	This annual Zodiac series features designs that reflect the zodiac animal of the year, combining cultural significance with aesthetic appeal. For 2024, the dragon is the zodiac animal of the year and symbolizes prosperity and good fortune, themes that are creatively integrated into the jewelry designs.		RMB150/gram to RMB180/gram of crafting fee plus the gold component
Imperial Garden Fantasy (“頤和仙境”)	Inspired by the imperial garden culture of the Summer Palace, we newly launched this series in 2024, integrating traditional Chinese totems, concepts and aesthetics into our jewelry designs, showcasing our innovation by blending traditional cultural elements with modern jewelry design.		RMB150/gram to RMB260/gram of crafting fee plus the gold component

*Note:*



(1) The recommended selling prices to end consumers are for general illustrative purpose only.



## BUSINESS

### *Diamond-set Jewelry and Others*

We offer a wide range of diamond-set jewelry and others, including our major series below to cover the evolving tastes of various consumer groups.

Name of Product Series	Theme of Design	Product Showcase	Recommended selling price range to end consumers <sup>(1)</sup>
One Heart One Love (“一心一愛”)	“One Heart One Love” series is created with the patented “one diamond with twelve facets” (“一心十二箭”) diamond cutting technique, which symbolizes the romantic vow of the couple.		RMB4,244 to RMB136,043
Z Power (“Z勢力”)	The Z Power series aims to provide affordable and trendy luxury jewelry that embodies the lifestyle of Gen-Z. The designs incorporate geometric shapes and abstract symbols to reflect youthful and modern styles.		RMB1,314 to RMB46,115

*Note:*

(1) The recommended selling prices to end consumers are for general illustrative purpose only.

In addition, we have product series specifically for our online sales channels, including Annie’s Garden (“安妮的花園”) and Sweet Girl (“甜心”) gold jewelry series.

---

## BUSINESS

---

### Services

We maintain a collaborative relationship with our franchisees. Our franchise management department is responsible for the expansion of our franchise network and it supports our franchisees with services like marketing, branding, logistics and training. In return for the franchising opportunity and the support services provided, we charge franchise service fee and product admission fee to our franchisees. See “– Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees” for details.

### PRICING

We price our products primarily based on: (i) the price of raw materials, and (ii) the complexity of crafting. The price of our products sold in our self-operated stores and self-operated e-commerce stores also reflects: (a) the market positioning of our brand, and (b) the purchasing power of our target end consumers. In addition, the price of our products is affected by market competition.

Given that the price of gold is subject to market fluctuation, we would adjust the price of our gold jewelry products in accordance with:

- *For products sold to franchisees:* The wholesale gold price issued by Shanghai Gold Exchange on the day of sale.
- *For products sold to end consumers at our self-operated stores:* The retail gold price determined by the offline market on the day of sale.
- *For products sold through our online sales channels:* The retail gold price determined by the online market.

To maintain the consistency and brand recognition in the market, we set recommended retail prices for products sold by our franchisees. Nevertheless, considering the variance of consumption habits in local markets of cities from different tiers, we would allow our franchisees to adjust prices within a reasonable range and in response to market fluctuation.

## BUSINESS

### OUR SALES NETWORK

During the Track Record Period, our products were sold primarily through (i) franchise model; (ii) self-operated stores and (iii) online sales channels. The following table sets forth the breakdown of our revenue model in terms of sales channels and products and services offered for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<b>Franchise Model</b>	<b>1,667,464</b>	<b>59.9</b>	<b>1,641,056</b>	<b>52.9</b>	<b>2,852,830</b>	<b>55.4</b>
<i>Sales of products</i>	<b>1,075,241</b>	<b>38.6</b>	<b>843,234</b>	<b>27.2</b>	<b>2,020,325</b>	<b>39.2</b>
(i) Gold jewelry <sup>(1)</sup>	376,984	13.5	427,697	13.8	1,669,334	32.4
(ii) Diamond-set jewelry and others <sup>(2)</sup>	698,257	25.1	415,537	13.4	350,991	6.8
<i>Service fees</i>	<b>592,223</b>	<b>21.3</b>	<b>797,822</b>	<b>25.7</b>	<b>832,505</b>	<b>16.2</b>
(i) Franchise service fee	75,904	2.7	78,102	2.5	78,539	1.5
(ii) Product admission fee	398,020	14.3	627,150	20.2	631,655	12.3
(iii) Other service fees <sup>(3)</sup>	118,299	4.3	92,570	3.0	122,311	2.4
<b>Self-operated Stores</b>	<b>343,451</b>	<b>12.3</b>	<b>362,296</b>	<b>11.7</b>	<b>487,016</b>	<b>9.5</b>
(i) Gold jewelry <sup>(1)</sup>	297,213	10.7	319,380	10.3	450,677	8.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	46,238	1.7	42,916	1.4	36,339	0.7
<b>Online Sales Channels</b>	<b>739,111</b>	<b>26.6</b>	<b>1,072,127</b>	<b>34.6</b>	<b>1,745,817</b>	<b>33.9</b>
(i) Gold jewelry <sup>(1)</sup>	583,377	21.0	908,903	29.3	1,555,960	30.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	155,734	5.6	163,224	5.3	189,857	3.7
<b>Others<sup>(4)</sup></b>	<b>33,030</b>	<b>1.2</b>	<b>26,211</b>	<b>0.8</b>	<b>63,938</b>	<b>1.2</b>
<b>Total</b>	<b><u>2,783,056</u></b>	<b><u>100.0</u></b>	<b><u>3,101,690</u></b>	<b><u>100.0</u></b>	<b><u>5,149,601</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Gold Jewelry primarily include pure gold jewelry, K gold jewelry and platinum jewelry.
- (2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.
- (3) Other service fees primarily include supply chain management fees charged from our authorized suppliers, decoration management fees charged from decoration service providers and performance guarantee fee charged from our franchisees, mainly in 2021.
- (4) Others primarily include wholesales and certain customized orders.

## BUSINESS

We have established an extensive network across China. The following map sets forth the geographical layout of our franchise stores and self-operated stores as of December 31, 2023:



Set forth below is the photograph of our typical store:



## BUSINESS

### Our Franchise Model

As of December 31, 2023, we had 4,288 franchise stores covering 31 provinces and 301 prefecture-level cities and divisions. We provide our franchisees with high-quality products and grant our franchisees the right to establish and operate franchise stores and market our products under our established brand to end consumers. The franchisee assumes responsibility for the day-to-day management of the franchise stores, including staffing and financial performance. However, we ensure our franchisees to uphold consumer experience, service quality and protect our brand reputation. To ensure operational consistency, we provide a set of operational procedures guiding the selection of franchisees and outlining store operations. See “– Our Sales Network – Our Franchise Model – Selection of Franchisees and Approval of Franchise Store Openings” in this section for more details.

Franchisees play an important role in our business expansion strategy. Our franchise network benefits from the franchisees’ operational experience, financial capabilities and deep understanding of the regional consumer base. By collaborating with these established franchise partners, we synergize our brand strengths with their local resources, allowing us to quickly expand our brand presence, seize strategic channel opportunities and enhance market penetration.

We and our franchisees have a buyer-seller relationship. To the best of our Company's knowledge, all franchisees were Independent Third Parties during the Track Record Period. Out of a mutual desire to achieve operational synergies and strengthen our strategic alliance, certain entities owned by, or related to, our franchisees, made strategic investments in us and became our Pre-[REDACTED] Investors. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments” for details. According to Frost & Sullivan, the engagement of franchisees is an industry norm with the jewelry industry.

As of December 31, 2021, 2022 and 2023, we had 3,694, 3,974 and 4,288 franchise stores nationwide, respectively. All of our franchise stores were located in China. The following table sets forth the breakdown of our franchise stores by city tiers in China during the Track Record Period:

	<b>As of December 31,</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>Number</i>	<i>% of total</i>	<i>Number</i>	<i>% of total</i>	<i>Number</i>	<i>% of total</i>
First-Tier Cities	325	8.8	348	8.8	355	8.3
Second-Tier Cities	1,159	31.4	1,285	32.3	1,452	33.9
Third-Tier Cities and other lower tier cities	2,210	59.8	2,341	58.9	2,481	57.8
Total	<u>3,694</u>	<u>100.0</u>	<u>3,974</u>	<u>100.0</u>	<u>4,288</u>	<u>100.0</u>

## BUSINESS

The following table sets forth the movement in number of the franchise stores during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
At the beginning of the year	3,606	3,694	3,974
Newly opened stores	507	644	804
Closures	419	364	490
Net increase	88	280	314
At the end of the year	3,694	3,974	4,288

During the Track Record Period, we newly opened 507, 644 and 804 franchise stores, respectively. The increase in newly opened stores was in line with business expansion. We regularly assign our supervisory team to conduct on-site visit of our franchise stores and to supervise the operation and management of franchise stores. During the Track Record Period, we closed 419, 364 and 490 franchise stores, respectively, primarily due to (i) the voluntary termination by our franchisees; (ii) the failure to renew lease agreements of the premises where the franchise stores located; and (iii) failure to meet our store management requirements.

The following table sets forth the movement of franchisees during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
At the beginning of the year	3,202	3,269	3,366
New franchisees <sup>(1)</sup>	637	731	1,039
Terminated franchisees <sup>(1)</sup>	570	634	739
Net increase	67	97	300
At the end of the year	3,269	3,366	3,666

*Note:*

- (1) Number of new franchisees and terminated franchisees may exceed the number of newly opened franchise stores and store closures for the same periods as certain franchise stores were transferred from one franchisee to another franchisee without stores being newly opened or closed.

We maintain our relationship with our existing franchisees and continue to develop franchisees with potential. For the year ended December 31, 2021, 2022 and 2023, we had cooperated with 637, 731 and 1,039 new franchisees, respectively. Meanwhile, we assess and evaluate our franchisees from various factors including the performance of the franchise stores they operated. For years ended December 31, 2021, 2022 and 2023, we terminated cooperation with 570, 634 and 739 franchisees, respectively, primarily due to (i) the voluntary termination by our franchisees; (ii) the failure to renew lease agreements of the premises where the franchise stores located; and (iii) failure to meet our store management requirements.

---

## BUSINESS

---

### *Franchisee Group*

Many of our franchisees are often affiliated with each other through familial, friendship, or other relationships, resulting in multiple franchisees being under common control. This structure, which we refer to as a "Franchisee Group," offers several strategic advantages for both the franchisees and us.

Although we enter into franchise agreements with franchisees instead of their Franchisee Groups, the Franchisee Group structure allows us to manage franchisees more efficiently. By dealing with a group of affiliated franchisees in the same Franchisee Group, we are able to enhance the efficiency of communication and oversight, ensuring that best business practices and resources are shared promptly among the members of the Franchisee Group. This collaborative environment enhances the overall performance and stability of our franchise network.

Additionally, we provide better credit policies and other preferential terms such as discounts on franchise fee and product admission fee to Franchisee Groups for their new store openings, taking into account various factors such as their operational scale and years of relationship with us. These incentives encourage the expansion of our franchise store network by leveraging the established relationships within Franchisee Groups to foster growth and development.

When reviewing the qualifications of potential franchisees, our past relationship with the Franchisee Group that they belong to is typically a significant factor for consideration. We are inclined to partner with franchisees that are part of an existing Franchisee Group with which we have a positive track record of cooperation. This approach not only rewards our Franchisee Groups for their loyalty but also capitalizes on the proven operational efficiencies and stability that come with established Franchisee Groups. To the best of our Company's knowledge, all Franchisee Groups were Independent Third Parties during the Track Record Period.

### *Selection of Franchisees and Approval of Franchise Store Openings*

We conduct rigorous evaluation on the selection of potential franchisees and/or approval of the opening of new franchise stores. Key considerations during the evaluation process include the following:

- *Qualifications.* Prospective franchisees must have the retail qualifications to engage in the sale of gold jewelry and the right to conduct jewelry sales at their premises. We also conduct interviews with the potential franchisees and on-site visits to assess and evaluate their business operations and financial management capability;
- *Store location:* Each of our store locations is carefully chosen with a focus on high-traffic, premium commercial areas to ensure broad consumer reach and enhanced sales efficiency;
- *Industry experience.* We assess the potential franchisee's track record in the jewelry business to ensure relevant expertise and knowledge. We also take into consideration our past relationship with the Franchisee Group it belongs to, if any;
- *Other information.* For instance, the degree of the franchisee's alignment with our corporate culture and business and service model is considered.

---

## BUSINESS

---

### *Salient Terms of the Franchise Agreement*

We proceed to the signing of the franchise agreements with the franchisees and/or approval of the opening of new franchise stores upon completion of assessing their qualification and store locations. Below is the summary of the salient terms of a typical franchise agreement:

- *Duration.* The term of the franchise agreement signed between us and our franchisees is typically one year. The franchisee should submit the application to renew the agreement one month in advance of the expiration date. We conduct on-site visit to the franchise store before approving the renewal of the franchise agreement.
- *Exclusivity.* Franchisees are only allowed to sell products sourced from us or our authorized suppliers in the franchise stores.
- *Annual procurement target.* We generally do not set annual procurement targets for our franchisees.
- *Restrictions on transferring ownership.* We do not allow our franchisees to transfer the ownership or operation of franchise stores to the third party without our written approval.
- *Store renovation.* Franchisees should follow our renovation requirements and are not allowed to change the layout of franchise stores without our written approval.
- *Settlement terms and credit period.* Typically, we do not provide any credit period to franchisees. We may grant a credit period ranging from 15 to 30 days to certain franchisees and a credit period ranging from 30 to 60 days to certain premium or strategically important franchisees. Credit periods extended to these franchisees are subject to a monetary limit.
- *Recommended retail price.* We provide our recommended retail price for each product we sell to our franchisees. Our franchisees are not allowed to raise the price exceeding certain extent or provide excessive discount without our approval.
- *Transfer of risk.* Risks are generally transferred to the franchisees after we ship the products.
- *Product return and exchange.* See “– Product Warranty and Customer Services – Sales Return and Exchange – Sales Return and Exchange Policy between Us and Franchisees” for details.



---

## BUSINESS

---

### *Fee Charged from Our Franchisees*

#### *Franchise service fee*

We form franchise partnerships by entering into franchise agreements that allow franchisees to use the “Zhou Liu Fu” brand and trademark and open franchise stores. Under the terms of franchise agreements, we permit the franchisees to use the “Zhou Liu Fu” brand and trademark and to open branded franchise stores. In exchange for these rights and access to our well-established brand and our support system, we charge an annual franchise service fee. We offer discounts on franchise service fee to our new or existing franchisees for their newly opened franchise stores. The franchise service fee was ranging from RMB10,000 to RMB30,000 per year during the Track Record Period.

The franchise business model is a critical component of our business as it grants our franchisees access to our established brand and the support system that accompanies a “Zhou Liu Fu” franchise. It not only allows for the expansion of our brand’s retail presence but also fosters a consistent customer experience and product quality.

For the years ended December 31, 2021, 2022 and 2023, our revenue generated from franchise service fee amounted to RMB75.9 million, RMB78.1 million and RMB78.5 million, respectively, accounting for 2.7%, 2.5% and 1.5% of our total revenue during the same periods.

#### *Product admission fee*

We allow franchisees to procure products from our authorized suppliers. For products sourced from authorized suppliers by franchisees, franchisees pay us an annual fixed product admission fee per store. Franchisees are obliged to settle their payments for product procurement directly with the authorized suppliers. See “– Our Sales Network – Our Franchise Model – The Authorized Supplier Model” in this section for more details on the procurement process from authorized suppliers and the authorized suppliers we cooperate with. We offer discounts on product admission fee to our new or existing franchisees for their newly opened franchise stores. The product admission fee ranges from RMB120,000 to RMB340,000 per year.

For the years ended December 31, 2021, 2022 and 2023, our revenue generated from product admission fee amounted to RMB398.0 million, RMB627.2 million and RMB631.7 million, respectively, accounting for 14.3%, 20.2% and 12.3% of our total revenue from the same periods.

#### *Historical adjustment of product admission fee policy for diamond-set jewelry products*

Prior to 2021, our franchisees were primarily required to purchase diamond-set jewelry products directly from us, unless they fulfilled an annual procurement target for diamond-set jewelry products. Once the annual procurement target was met, they were permitted to supplement their inventory with diamond-set products procured from authorized suppliers. Under this old policy, product admission fee with respect to diamond-set jewelry was calculated as a percentage of the price of the diamond-set products they procured from authorized suppliers. If a franchisee did not meet the required annual procurement target from us, they were charged a performance guarantee fee.

---

## BUSINESS

---

Effective from 2021, we adjusted our product admission fee policy with respect to diamond-set jewelry procurement. The annual procurement target and performance guarantee fee were cancelled. This change allows franchisees to have greater flexibility to source diamond-set jewelry products from authorized suppliers. We have also shifted from a variable product admission fee model to a fixed product admission fee model with respect to diamond-set jewelry procurement. Under the new policy, we charge a fixed annual product admission fee per franchise store for sales of diamond-set jewelry under our brand, irrespective of the franchisees’ diamond-set jewelry procurement amount from authorized suppliers.

The new product admission fee policy applies only to franchise agreements that are renewed or newly signed from 2021 onwards. As a result, although the new policy was implemented since 2021, its full financial effect became more apparent in 2022. Franchise agreements were newly signed or renewed on a rolling basis, and therefore it took time for the franchise agreements to incorporate the adjusted product admission fee policy. By 2022, a larger proportion of our franchise agreements reflected the new product admission fee policy, making its effect on our financial performance more evident. Our revenue generated from sales of diamond-set jewelry and others to franchisees amounted to RMB698.3 million and RMB415.5 million in 2021 and 2022, respectively, accounting for 25.1% and 13.4% of our total revenue for the same years, respectively. The decrease was primarily due to increased flexibility that franchisees had in the procurement of diamond-set products from authorized suppliers as a result of the new policy. On the other hand, revenue from product admission fee we charged to our franchisees amounted to RMB398.0 million and RMB627.2 million in 2021 and 2022, accounting for 14.3% and 20.2% of our total revenue for the same years, respectively. The increase was primarily because the fixed annual product admission fee per store under the new policy was on average higher than the variable fee under the old policy. In addition, revenue from performance guarantee fee amounted to RMB24.4 million and RMB3.8 million in 2021 and 2022, respectively, accounting for 0.9% and 0.1% of our total revenue, respectively. The decrease was also primarily due to the policy adjustment.

During the Track Record Period, we charged our franchisees a fixed annual product admission fee per franchise store for sales of gold jewelry under our brand, irrespective of the franchisees’ gold jewelry procurement amount from authorized suppliers. Such policy did not undergo any change during the Track Record Period.

### ***Products Procured by Our Franchisees***

We offer our franchisees the flexibility to source products either through procurement from us or procurement from our authorized suppliers. Our franchisees procure a large majority of products from authorized suppliers.

#### *Procurement from Us*

Products procured by franchisees from us are typically developed by us due to our strategic focus on products with special craftsmanship techniques or Chinese trendy elements.

If franchisees choose to directly procure the products from us, they may select products on-site at our headquarters exhibition hall, or place orders via our online ordering system, the so-called “online exhibition hall” (雲展廳) on our official website.

---

## BUSINESS

---

Revenue from our sales of products to franchisees is recognized at the point in time when control of the product is transferred to franchisees. See “Revenue Recognition” in Note 2.3 of the Accountants’ Report in Appendix I to this document.

### *Procurement from Authorized Suppliers*

Our franchisees are allowed to procure from third-party suppliers that have been officially authorized by us, or the so-called “authorized suppliers.” All products procured by franchisees from authorized suppliers are required to undergo stringent quality inspection and to be admitted into our product network, and we adopt a stringent approach for admitting such products. Products are sourced from authorized suppliers and provided to our franchisees through the following steps:

- Franchisees select the products they wish to procure within the product categories pre-approved by us from a list of authorized suppliers;
- The products are then sent to either our sorting department or a designated regional office for registration in our system;
- The registered items undergo an initial quality check by our quality management department or an appointed quality control officer at the designated regional office;
- Once the items pass this initial quality check, they are sent to a third-party entity certified in jewelry testing for further quality check; and
- Upon satisfactory completion of these checks, the products are labeled, their details are entered into our system, and they undergo a final count by our staff before the confirmed delivery to the franchisees.

The process, from the receipt of goods by us to their admission into our network and dispatch, is generally completed within three business days.

### *The Authorized Supplier Model*

We benefit from the extensive experience of the authorized suppliers in the gold and jewelry industry and their strong design, procurement and production capabilities. In return, our cooperation with authorized suppliers not only provides them with access to a substantial customer base of our franchisees but also allows them to share the benefits derived from the growth in number and quality of our franchise stores. Products purchased by franchisees from authorized suppliers are primarily finished goods available for immediate delivery, ensuring a short supply cycle. According to Frost & Sullivan, our authorized supplier model is in line with the industry norm.

---

## BUSINESS

---

We charge a supply chain management fee from the authorized suppliers, calculated based on a pre-determined price per gram of the jewelry or a pre-determined percentage of the cost of the jewelry purchased by the franchisees from the authorized suppliers. In 2021, 2022 and 2023, we transacted with 117, 90 and 85 authorized suppliers, respectively. To the best of our Company’s knowledge, all authorized suppliers were Independent Third Parties during the Track Record Period. Out of a mutual desire to achieve operational synergies and strengthen our strategic alliance, certain entities owned by, or related to, our authorized suppliers, made strategic investments in us and became our Pre-[REDACTED] Investors. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments” for details.

We maintain stringent selection and management criteria for authorized suppliers, which primarily include evaluating their production capacity, qualifications, quality control systems, compliance with intellectual property rights and financial stability. We also conduct annual review of our authorized suppliers based on their performance. However, these authorized suppliers independently manage certain specific aspects of their business and operations, including design, procurement, production and pricing of sales to franchisees, without direct oversight from us.

We do not provide raw materials to authorized suppliers, nor do we assume any risks associated with the legality of, or fluctuations in the prices of, raw materials they procure. Products remain the inventory of the authorized suppliers until they pass our quality inspection, at which point they become the inventory of our franchisees. We do not admit the products as inventory under our financial statements.

Any issues related to unsold products are managed directly between the franchisees and the authorized suppliers based on their agreements, without our involvement. Save for the uniform standards we enforce in terms of product quality, intellectual property protection, and retail pricing, we do not control the operation and management of authorized suppliers concerning our products.

### *Salient Terms of Agreements with Authorized Suppliers*

Below is the summary of salient terms of our agreements with authorized suppliers:

- *Duration and renewal.* The term of agreement between us and our authorized suppliers is generally one year and will be renewed upon mutual agreement.
- *Product category.* Authorized supplier may only sell certain category of products specified in the agreement.
- *Payment and settlement.* Payment will be settled after five days of invoice issued to authorized suppliers.
- *Supply chain management fee.* In exchange for the right we grant to authorized suppliers to provide jewelry products to our franchisees, authorized suppliers are required to pay a supply chain management fee to us, which is generally calculated based on a pre-set price per gram of the jewelry or a pre-set percentage of the cost of the jewelry.

---

## BUSINESS

---

- *Indemnity.* In cases the products supplied by our authorized suppliers have quality issues or infringe on third-party intellectual property rights, which resulted in us or our franchisees being required to compensate end consumers, the authorized suppliers must fully indemnify us or our franchisees for these losses. Additionally, if we or our franchisees are subject to penalties by regulatory authorities or found liable by a court for infringement, the authorized suppliers must fully indemnify us or our franchisees for these losses and also pay liquidated damages to us for any reputational harm.

### *Support Provided to Franchisees*

Our franchise management department supports the daily operations and ongoing enhancement of our franchise stores by providing consistent and continuous services and support, including marketing, branding, logistics and training. In addition, our franchise management department is responsible for maintaining and expanding our sales network, increasing market coverage and enhancing brand recognition.

Leveraging our accumulated resources and experience, we assist franchisees in site selection analysis and business planning to ensure that the locations and market positioning of their stores align with strategic plans. For specific types of stores, we offer standardized design and decoration schemes, as well as product display solutions, to ensure consistency and attractiveness of the brand image.

To optimize store operational efficiency, we provide franchisees with access to our smart cloud platform service (智慧雲平台). The platform allows end consumers to make online selections and reservations, driving foot traffic to our franchise stores. It also allows franchise stores to customize product recommendation pages to meet consumer demands better. The platform integrates various functions such as online purchasing, product information statistics, inventory management, sales data analysis, membership management, and targeted marketing, offering comprehensive digital operational support to franchisees.

We have developed a training system to enhance the capabilities of store managers and staff across our franchise network. This system includes a variety of training measures such as on-site training at store openings, large-scale training conferences and online courses. Our training curriculum covers product and brand knowledge, customer service, sales etiquette, sales standards and our membership system. We also conduct sales competitions and intensive training programs designed to enhance the professional skills and sales competencies of our franchise staff. In particular, for newly opened franchise stores, we organize specialized training sessions, which provide systematic guidance on store openings and operations.

Additionally, franchisees who require operational assistance can apply for tailored coaching sessions. Our staff design these sessions and provide on-site coaching, followed by a work summary that includes outcomes, feedback and strategic recommendations for ongoing improvement.

Furthermore, we host public courses and franchisee conventions to discuss industry trends, our latest development strategies and store management suggestions. These initiatives are part of our ongoing efforts to enhance franchise management and support the growth of our franchise network.

---

## BUSINESS

---

### *Management of Our Franchisees*

We have established an overall structure from head-office level to regional level in management of our franchisees. Our franchisee management department is in charge of overall plan and management of franchisees, including issuing policy and guidance, and releasing manual. Our regional offices are in charge of execution of these policies, guidance and manuals, and conducting on-site visit of franchise stores.

We have also released operational standards and policies to facilitate our franchisees on store management and ensure the consistent provision of high-quality products and services. We publish a series of manuals including the Operation Manual (終端運營手冊) and the Store Manager Manual (店長手冊) to provide detailed guidance and support for our franchisees on store image design, product display, sales, service, price and discount and marketing. We provide a unified standard to our franchisees to maintain the consistency of our brand image, but, recognizing the importance of market adaptability, we allow franchisees to retain a degree of autonomy to decide price and marketing activities to better adapt to local consumer preference, within the framework set by the franchise management department.

Moreover, we offer regular training and courses for our franchisees to improve their capability in executing the policy and standard issued by us. We assign staff to conduct on-site visit in franchise stores to check if their operation and services are in line with our standards, and we may provide suggestion to franchisees for their improvement.

### *Procurement and Admission of Products Sourced by Franchisees from Authorized Suppliers*

The products sourced from authorized suppliers are admitted into our product network and can be sold under our brand upon inspection and quality check. For the use of our brand and the admission of these products, we charge our franchisees a product admission fee. See “– Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Product Admission Fee” in this section for details on the product admission process and the relevant service fee.

To ensure compliance with our procurement policies and maintain the integrity of our brand, we have established stringent measures to manage and oversee franchisee activities, especially concerning procurement from unauthorized channels, including:

- *Monitoring and Enforcement:* we have a dedicated supervisory team responsible for conducting regular and random inspections of franchise store operations. This team is dedicated to franchisees’ adherence to our sales and procurement guidelines and rectifies any non-compliant behavior. If a franchisee is found procuring and selling products from unauthorized channels, they are required to rectify the issue, and in severe cases, we may revoke the franchisee’s operating rights; and
- *Supervision:* We will file a case and conduct internal review and check on franchisees when we receive the complaint from our end consumers and the inspection from the relevant government authorities.

---

## BUSINESS

---

### *Store Image*

We have established a standardized store design and visual identity system to maintain a consistent and contemporary store image that resonates with the fashion trend of young generations, improve our brand recognition and promote consumer experience. We require all newly opened franchise stores to follow the standardized style and design and submit all decoration layouts and renderings for review and approval before construction.

### *Authorized Use on Brand, Trademark and IPs*

Pursuant to the exclusivity clause of the franchise agreement, our franchisees are prohibited from selling products that are (i) not sourced from us or authorized suppliers under our “Zhou Liu Fu” brand or (ii) products under other brands in the franchise stores. To ensure the authenticity of products and safeguard the rights of our end consumers, all products sold in the franchise stores should bear the unified tags or certificates provided by us. All products and peripheral accessories with “Zhou Liu Fu” trademark, including tags, jewelry pouch, jewelry boxes and certificates are not allowed to be directly or indirectly sold or used in any unauthorized sales channels.

### *Pricing and Discount at Franchise Stores*

Our franchisees determine their retail prices based on the recommended retail price ranges provided by us. Franchisees are not permitted to increase these prices or engage in promotional discounts that exceed the recommended price ranges without our consent.

### *Marketing Activities by Franchisees*

We are generally responsible for planning and coordinating all regional marketing campaigns in collaboration with our franchisees. Franchisees interested in undertaking their own marketing initiatives are required to submit their promotional plans and materials to us for review. We thoroughly evaluate these submissions to ensure they meet our strategic marketing objectives. Only after receiving our approval can franchisees proceed with their marketing activities. Franchisees must adhere strictly to the approved content and are responsible for all associated costs of their own marketing activities.

### **Our Self-operated Stores**

We adopt a balanced approach to our sales network, leveraging a franchise model as the primary focus while also maintaining a significant growth of self-operated stores. Through this balanced strategy, we experienced an increase in the number of self-operated stores during the Track Record Period. Typically opened in department stores or high-end shopping malls, self-operated stores play a crucial role in cultivating our brand image, enhancing brand recognition and fostering synergy within our sales network.

The products sold in our self-operated stores are procured from our outsourced producers and finished product suppliers.

## BUSINESS

As of December 31, 2021, 2022 and 2023, we had 70, 78 and 95 self-operated stores located in 39 cities in China. The following table sets forth the breakdown of our self-operated stores by city tiers in China during the Track Record Period:

	<b>As of December 31,</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>Number</i>	<i>% of total</i>	<i>Number</i>	<i>% of total</i>	<i>Number</i>	<i>% of total</i>
First-Tier Cities	11	15.7	15	19.2	15	15.8
Second-Tier Cities	45	64.3	49	62.8	67	70.5
Third-Tier Cities and other lower tier cities	14	20.0	14	17.9	13	13.7
<b>Total</b>	<b>70</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>95</b>	<b>100.0</b>

The following table sets forth the movement in number of our self-operated stores during the Track Record Period:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
At the beginning of the year	40	70	78
Newly added stores	31	16	35
Closures	1	8	18
Net increase	30	8	17
At the end of the year	70	78	95

In 2021, 2022 and 2023, we had 31, 16 and 35 newly added self-operated stores respectively. The increase in newly opened stores was in line with our strategy of new self-operated store opening to shape our brand image and enhance our brand recognition. Meanwhile, we also closed one, eight and 18 self-operated stores during the Track Record Period. The reasons for closure of such self-operated stores were primarily (i) unsatisfactory performance or failure to meet our store operational standards; and (ii) termination of or disagreements to renew of the lease agreements.

Among the 35 self-operated stores newly added in 2023, 17 were our FENS stores. FENS is a brand acquired by us through asset acquisition in 2023, whose revenue contribution to us was not material in 2023.



---

## BUSINESS

---

### *Commercial Arrangements in Relation to Self-Operated Stores*

We typically enter into either commercial agreements with property owners (including shopping malls) to secure retail spaces or concession agreements with shopping malls to operate our self-operated stores. Below is the summary of the salient terms of our standard commercial agreements or concession agreements signed with third parties in relation to the opening and operation of our self-operated stores during the Track Record Period.

- *Duration.* The term of the commercial agreement signed between us and property owners or concession agreements with shopping malls is typically one to two years, and is renewable upon mutual agreement.
- *Rent/Concession fee.* Rent/concession fee is either (i) a fixed amount, or (ii) the higher of (a) a minimum monthly rent/concession fee and (b) a fixed percentage of the monthly sales of the relevant self-operated store.
- *Payment and settlement:*
  - For commercial agreements with property owners, sales proceeds are typically collected by us and we issue the invoice to end consumers.
  - For concession agreements with shopping malls, sales proceeds are typically collected by shopping malls and shopping malls issue the invoice to end consumers. Shopping malls will settle the payment monthly upon checking the sales records agreed by us.
- *Minimum Sales or Margin Target.* Certain shopping malls may have a minimum monthly sales or margin target requirement. However, such target is typically considerably lower than our usual monthly performance.
- *Other Fees.* We typically pay a property management service fee to the shopping malls for their maintenance and security services. We also pay a utility fee to the shopping malls.
- *Termination.* Terminable by either party upon the occurrence of certain events, such as material breach of the counterparty.

### *Selection of Store Locations*

In selecting locations for our self-operated stores, we evaluate several key factors to ensure alignment with our strategic objectives. These factors include the specific positioning of the potential store within the commercial area, the overall foot traffic, the nature of the commercial zone and surrounding residential communities. We also consider the prevailing consumption patterns and per capita income in the area. The presence of competing brands in the vicinity is also assessed to optimize our brand positioning and market penetration.

## BUSINESS

Our self-operated stores are typically located in core commercial areas such as department stores or high-end shopping malls. These areas not only support significant geographical advantages and high foot traffic but also align with our objective to uphold and showcase the high standards of our brand, thereby enhancing our brand image and expanding our market share. This strategic placement in prominent shopping environments ensures maximal visibility and accessibility to a broad consumer base, reinforcing our self-operated store’s role as benchmarks within our retail network.

### *Performance of Our Self-Operated Stores*

#### *Same Store Sales of our Self-Operated Stores*

Our profitability is affected in part by our ability to successfully increase the sales by our existing stores. The following table sets forth the details of our number of same stores and same store sales revenue among our self-operated stores during the Track Record Period.

	Year Ended December 31,			
	2021	2022	2022	2023
Number of Same Stores <sup>(1)</sup>	62		64	
Same Store Sales Revenue (RMB’000)	312,632	316,153	316,751	440,124
Same Store Sales Revenue Growth (%)	1.1%		38.9%	

*Note:*

(1) Referring to self-operated stores that were open for more than 300 days in both of the two years under comparison.

For 2021 and 2022, we had 62 same stores, the aggregate sales revenue of which increased by 1.1% from RMB312.6 million in 2021 to RMB316.2 million in 2022.

The relatively small increase in same store sales revenue was mainly due to the adverse impact of the COVID-19 pandemic in 2022, which resulted in suspension of operations of certain self-operated stores in 2022.

For 2022 and 2023, we had 64 same stores, the aggregate sales revenue of which increased significantly by 38.9% from RMB316.8 million in 2022 to RMB440.1 million in 2023. The increase in same store sales revenue was mainly due to (i) the increasing market demand and price for gold jewelry products, especially rising demand from young end consumers who are becoming an important end consumer group, and (ii) that the COVID-19 pandemic control measures were gradually lifted in China since late 2022.

#### *Initial Breakeven Period and Investment Payback Period*

The initial breakeven period represents the period from the opening of a self-operated store to the time when it records monthly net profit for the first time. We measure the initial breakeven period of our self-operated stores by their respective revenue, costs and expenses, which primarily include the costs of the jewelry products sold, rental expenses or concession fees, renovation expenses, and staff costs. During the Track Record Period, the average initial breakeven period of our self-operated stores that opened during the Track Record Period was approximately five months.

## BUSINESS

The investment payback period for a self-operated store represents the time it takes for the accumulated net profit attributable to us from the relevant self-operated store to recover the initial investment. We measure the initial investment of our self-operated stores by cash used for renovation, but excluding cash used for preparing gold inventories. The average investment payback period of our self-operated stores that opened during the Track Record Period was approximately 15 months.

### Online Sales Channels

We primarily adopt two types of online sales channels, namely the self-operated e-commerce stores and sales to e-commerce platforms, details of which are set forth in the table below:

Sales Model	Major E-commerce Platforms	Description	Settlement	Logistics
Self-operated E-commerce Stores	Tmall JD.com	We operate our own e-commerce store on the e-commerce platform and directly sell products to end consumers online.	End consumers first make payments for their purchase to a third-party payment platform associated with the e-commerce platform. Upon confirmation of receipt of products by the end consumer, the funds are transferred to our account on the same payment platform after deduction of the service fee by the e-commerce platforms	We dispatch products based on end consumer orders to a third-party logistics provider, who then delivers them directly to the end consumer.
Sales to E-commerce Platforms	JD.com VIP Shop	We sell products to e-commerce platforms, which then retails through their own online stores and special promotional pages.	Payment settlements occur after their consignment sales by the platforms. Payment is settled through bank transfer.	We hand over products to a third-party logistics provider who delivers them either to a warehouse specified by the e-commerce platform or to end consumers.

---

## BUSINESS

---

The products sold in our online sales channels are procured from our outsourced producers and finished product suppliers.

For the years ended December 31, 2021, 2022 and 2023, the revenue generated from self-operated e-commerce stores were RMB513.1 million, RMB693.7 million and RMB1,171.6 million, respectively, accounting for 69.4%, 64.7% and 67.1% of our revenue generated from online sales channels, respectively, for the same periods. For the years ended December 31, 2021, 2022 and 2023, the revenue generated from sales to e-commerce platforms were RMB226.0 million, RMB378.4 million and RMB574.2 million, respectively, accounting for 30.6%, 35.3% and 32.9% of our revenue generated from online sales channels, respectively, for the same periods.

### *Self-operated E-commerce Stores*

Under the self-operated e-commerce store model, we directly sell our products to end consumers through our self-operated e-commerce stores on e-commerce platforms, primarily including JD.com and Tmall. End consumers can browse, place orders and complete payments within self-operated e-commerce stores. Upon confirmation of payment, we dispatch products based on end consumer orders to a third-party logistics provider, who then delivers them directly to the end consumer. Under this model, revenue is recognized when control of the products or the risks and rewards of the products are transferred to the end consumers and the end consumers confirm receipt or the platform automatically confirms receipt.

We manage all after-sales interactions directly, ensuring a high standard of customer service and support while leveraging the extensive reach and technological capabilities of these platforms. End consumers first make payments for their purchases to a third-party payment platform associated with the e-commerce platform. Upon confirmation of receipt of products by the end consumer, the funds are transferred to our account on the same payment platform after deduction of the service fee by the e-commerce platforms. The following summarizes the operation flow of our major self-operated e-commerce stores:

- *Order placement.* The order placed by end consumers will be transferred through our operation system to warehouse.
- *Delivery arrangement.* Warehouse will arrange delivery team in accordance with the requirements of end consumers.
- *Settlement and payment.* We typically settle payment from end consumers with e-commerce platforms upon deduction of services fee charged by e-commerce platforms on daily basis.
- *Product return or exchange.* See “– Product Warranty and Customer Services – Sales Return and Exchange – Sales Return and Exchange Policy for Self-operated E-Commerce Stores and Sales to E-commerce Platforms” in this section for more details.
- *Termination.* The agreement may be terminated primarily if (i) a party notifies the other party the intention to terminate the agreement with a notice period of no less than 30 days, and (ii) we fail to perform any of our obligations under the agreement and fail to rectify the breach within a prescribed time period.

---

## BUSINESS

---

### *Sales to E-Commerce Platforms*

Under this model, we sell our products to e-commerce platforms in accordance with the agreements signed with the e-commerce platforms, which primarily include JD.com and VIP Shop. We hand over products to a third-party logistics provider who delivers them either to a warehouse specified by the e-commerce platform or to end consumers. End consumers place their orders and make payments directly to these platforms. After-sales service to end consumers is managed by the platforms. On the other hand, we fulfill our obligations regarding after-sales services to the platforms as stipulated in our agreements with them. We make settlement with the platforms regularly based on the terms and credit periods outlined in these agreements. Under this model, revenue is recognized when control of the products or the risks and rewards of the products are transferred to the platforms and we obtain the right to settle with the platforms.

Below is the summary of the salient terms of our standard agreement signed with e-commerce platforms for sales of products during the Track Record Period.

- *Duration.* The term of agreement signed between us and e-commerce platforms is one year and may be renewed upon mutual agreement.
- *Product return or exchange.* See “– Product Warranty and Customer Services – Sales Return and Exchange – Sales Return and Exchange Policy for Self-operated E-Commerce Stores and Sales to E-commerce Platforms” in this section for more details.
- *Transfer of risk.* Risks transfer to the e-commerce platforms upon delivery to their sites and quality check by e-commerce platforms.
- *Settlement and Payment.* We typically settle payment with e-commerce platforms within 30 days after the invoice date set in agreement.
- *Termination.* The agreement may be terminated primarily if (i) both parties reach a mutual agreement; and (ii) either party fails to perform obligations under the agreement.

From time to time, we also pay service fees to certain e-commerce platforms for the promotion of our products on these platforms. Below is the summary of the salient terms of our standard agreement signed with e-commerce platforms for marketing and promotion of our products during the Track Record Period.

- *Duration and renewal.* The term of the agreement signed between us and the e-commerce platforms is generally up to the completion of exercising all obligations stated in, which could be renewed upon mutual agreement.
- *Settlement and payment.* We typically prepay our fees for marketing and advertising services we purchase from e-commerce platforms.
- *Termination.* Either party has the right to terminate the agreement signed between us and the e-commerce platforms.

---

## BUSINESS

---

### Others

To a lesser extent, we also engage in other businesses, primarily including wholesales and certain customized orders in the course of our business operation. For the years ended December 31, 2021, 2022 and 2023, sales under our other businesses contributed to a revenue of RMB33.0 million, RMB26.2 million and RMB63.9 million, respectively, accounting for 1.2%, 0.8% and 1.2% of our total revenue, respectively.

### Expansion Plan for our Offline Sales Channel and Product Mix

Leveraging our extensive experience in the South China market, we plan to focus on more precise market penetration and sales network layouts, particularly in the East China and North China regions. We plan to expand our store network through a combination of self-operated stores and franchise stores. Self-operated stores will primarily serve to shape our brand image and enhance our brand perception to our end consumers, while franchise stores will help to quickly increase our market coverage. Additionally, we plan to open more stores in certain core areas, especially in locations with high commercial potential, to enhance market share.

In terms of store operations management, we strive to improve the revenue and profitability of each of our stores. To achieve this, we plan to implement the following refined management measures:

- Providing more support for franchisees, including assistance with marketing strategies and prime location selection, providing training courses focused on operational management and strengthening the professional skills of store staff;
- Strengthening information technology infrastructure to optimize operational efficiency;
- Improving the order fulfillment capabilities of our supply chain to ensure timely product delivery; and
- Providing incentives to franchisees who perform exceptionally in key market areas, thereby encouraging them to further increase their revenue and profitability.

We intend to continually expand our product series and closely monitor market trends and consumer preferences, with the goal to offer differentiated products and services tailored to various consumer groups and consumption scenarios. We are committed to recruiting and training professional talent to ensure our sustained advantage in product innovation. To continuously drive product innovation, we plan to continuously upgrade our product design and development center and strengthen our product design and development team.

---

## BUSINESS

---

### Measures to Avoid Channel Stuffing And Cannibalization

#### *Measures to Avoid Channel Stuffing*

We have set up and implemented multiple measures to ensure the benefits of our franchisees by avoiding channel stuffing, including:

- *Buyer-seller relationship.* We and our franchisees are buyer-seller relationship. We typically do not accept product returns subject to certain exceptions, ensuring that franchisees cannot compel us to accept unsold products. We regularly monitor the level of product returns from franchisees. During the Track Record Period, we did not experience material amount of returns from franchisees. For years ended December 31, 2021, 2022 and 2023, the amount of returned products from our franchisees amounted to RMB15.2 million, RMB4.7 million and RMB1.8 million, respectively, accounting for 0.9%, 0.3% and 0.1% of our revenue from our franchise model, respectively. See “– Product Warranty and Customer Services – Sales Return and Exchange – Sales Return and Exchange Policy between Us and Franchisees” in this section for details.
- *No minimum procurement target.* We do not set up minimum procurement target to our franchise stores to avoid overload of goods stuck in our franchise stores. In addition, we allow our franchise stores to procure from authorized suppliers based on their own procurement plan, which incentivizes them to maintain their inventory levels prudently to avoid overstocking and obsolescence. See “– Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical Adjustment of Product Admission Fee Policy for Diamond-set Jewelry Products” in this section for details.
- *Regular check on stores.* We regularly assign our supervisory team to conduct on-site visit of our franchise stores and to supervise the operation and management of franchise stores. In addition, our sales team hold regular meetings with franchisees to gain insights into their business operations.

#### *Measures to Avoid Cannibalization*

We have implemented anti-cannibalization measures to balance competition among our franchise stores, self-operated stores, and online sales channels.

For offline sales channel including franchise stores and self-operated stores, we (i) set up limit on the density of our offline stores based on our market analysis as well as commercial considerations to minimize unhealthy competition, taking into consideration various factors such as consumer traffic, consumer demographics and spending power and patterns of the area. In certain locations with high demand for our products, additional stores may be opened in proximity to existing stores to meet the demand from end consumers; and (ii) retain the discretion to terminate our relationships with franchise stores engaging in non-compliant acts or employing unhealthy competition means. With respect to our franchise stores, we provide our recommended retail price for each product we sell to our franchisees. Our franchisees are not allowed to raise the price or provide excessive discount without our approval.

---

## BUSINESS

---

Moreover, to avoid market cannibalization, we assess the number of stores that a regional market can accommodate based on factors such as the sales potential and the degree of coverage by existing stores, and manage the number of stores and approve the opening of new stores in the regional market accordingly.

To further avoid cannibalization in online and offline sales channels, we have launched product lines specifically designed for the online shopping environment and have implemented different product offerings that differ from those in our offline stores to cater to the distinct needs and purchasing behavior of online end consumers.

### **Cash Management**

#### *Cash Management in Self-operated Stores and Online Sales Channels*

Substantially all payments made by our end consumers through our online sales channels are non-cash payment. For end consumers in our self-operated stores, we provide cash and non-cash payment options. Currently, a majority of our end consumers use non-cash payment in our self-operated stores and the payment in cash in our self-operated stores was less than 1% of our revenue throughout the Track Record Period. For cash payment in self-operated stores, we have set policies with respect to cash collection and safekeeping rules.

In addition, we encourage our end consumers to use non-cash payment and actively collaborate with multiple mobile payment platforms such as Alipay, WeChat Pay and Union Pay. All mobile payment platforms are certified online payment service providers and are entirely independent from us. Given the similarity of the payment services of such mobile payment platforms, we do not have a material reliance on any particular mobile payment platform.

#### *Cash Management with Franchisees*

Our franchisees generally settle payments, fees and other expenses with us through bank transfer to our designated bank accounts. When receiving payments from franchisees, we compare the payment information with the data saved in our internal system to ensure payment authenticity. We do not receive or otherwise process any payment made by end consumers in franchise stores.

#### *Internal Cash Management Policy*

We have set down stringent and detailed policies regarding cash management, security and processing applicable to our internal procedures and store management. For instance, we require our cash to be managed by specifically designated teams, each with different duties and responsibilities to ensure cash safety. Handling cash payment, deposit, transfer and settlement require explicit and proper internal authorization and record. We also require regular planning, inspection and supervision with respect to our cash.



## BUSINESS

### PROCUREMENT

Our procurement includes raw materials, finished products and outsourced production service. We have strict standards for selecting the sources of our procurement, which provide assurance of the quality of our products.

#### Raw Materials

We typically procure raw materials directly from officially authenticated sources. The legality of the source of our major raw materials, gold and diamond, is assured because we typically procure gold from the Shanghai Gold Exchange through its members and diamond from members, or their associates, of the Shanghai Diamond Exchange. These members are required to provide us with their authorized qualifications and certificates for every procurement prior to be enrolled as our suppliers.

#### Gold Procurement

Regarding our gold procurement, the following table sets forth our procurement amount, procurement volume and average procuring price (exclusive of value-added tax) for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Procurement Amount ( <i>RMB million</i> )	1,272.3	1,660.4	3,537.8
Procurement Volume ( <i>kg</i> )	3,832.6	4,776.5	8,823.1
Average procuring price ( <i>RMB/gram</i> )	332.0	347.6	401.0

During the Track Record Period, all of our gold were sourced from China. We made substantially all of our gold procurement during the Track Record Period from the Shanghai Gold Exchange. We enter into long-term brokerage agreements with members of the Shanghai Gold Exchange and open designated accounts with those members to conduct procurement. We settle the payment through the designated accounts and invoices for the procurement are issued by the Shanghai Gold Exchange. Salient terms of our brokerage agreements with the members of the Shanghai Gold Exchange include:

- *Duration.* We enter into long-term framework agreements with those members with no specific expiration dates.
- *Transaction Arrangements.* We place procurement orders through the accounts opened with those members. We make applications to those members for gold withdrawal and they are obligated to assist us with gold collection at specified vaults of the Shanghai Gold Exchange.
- *Fees.* For each procurement transaction, we pay brokerage fee at a pre-set percentage of the procurement price.

---

## BUSINESS

---

The typical procedures for procuring gold raw materials from the Shanghai Gold Exchange are outlined as follows:

- The sales department consolidates sales data and product demand from our exhibition hall;
- Based on this data, the supplier management department forecasts the required quantity of gold raw materials and formulates a procurement plan;
- The procurement plan undergoes our internal approval. Once approved, the finance department transfers the procurement funds to the designated accounts with the members of the Shanghai Gold Exchange that we cooperate with. Our general manager authorizes designated personnel to carry out the purchase transactions through the designated accounts on the trading platform of the Shanghai Gold Exchange;
- After the purchase, the members of the Shanghai Gold Exchange that we cooperate with assist our designated employees in collecting the gold from specified vaults of the Shanghai Gold Exchange; and
- Personnel designated by the supplier management department conduct inspection and storage of the gold raw materials upon receipt.

### *Reliance on the Shanghai Gold Exchange*

According to Frost & Sullivan, the Shanghai Gold Exchange is the largest gold exchange in China and is directly regulated by the PRC government, and our gold procurement from the Shanghai Gold Exchange is consistent with the industry norm in the gold jewelry industry in China. Given the various restrictions on importing gold from overseas, we believe that procurement of gold from the Shanghai Gold Exchange is the most reliable source of procurement in China. Only members of the Shanghai Gold Exchange are allowed to trade directly on the Shanghai Gold Exchange. Therefore, we cooperate with members of the Shanghai Gold Exchange to carry out gold procurement on the Shanghai Gold Exchange. Accordingly, we believe our reliance on the Shanghai Gold Exchange for gold procurement is reasonable and aligns with the industry practice, and it is in our best interest to continue procuring gold from the Shanghai Gold Exchange.

### ***Diamond Procurement***

Our procurement of diamond amounted to RMB178.5 million, RMB132.5 million and RMB61.4 million in 2021, 2022 and 2023, respectively, accounting for 11.8%, 7.2% and 1.7% of our raw material procurement for the same periods, respectively.

The typical procedures for procuring diamond raw materials are outlined as follows:

- The sales department consolidates sales data and product demand from our exhibition hall;

## BUSINESS

---

- Based on this data and the inventory level, the diamond department formulates the procurement plan and sends the procurement order to diamond suppliers that we cooperate with. The diamond department then evaluates the responses based on price, supply quantity and product specifications to select several suppliers and notifies them to deliver the diamonds;
- Qualified personnel from the diamond department's appraisal team evaluate samples from the suppliers and form a valuation report;
- The head of the diamond department confirms that the diamonds meet the specified requirements and are of satisfactory quality and value. Detailed pricing negotiations are then conducted;
- Diamonds received are inspected by warehouse staff. Once inspected, they are categorized, stored and recorded in inventory; and
- After the receipt and storage of the diamond, the diamond department finalizes contractual agreements with the suppliers and negotiates the terms for invoicing and payments. The payment process undergoes internal approval before final settlement with the suppliers.

Below is the summary of salient terms of our standard agreement signed with our diamond suppliers during the Track Record Period.

- *Duration and renewal.* The term of agreement signed between us and our diamond suppliers is generally one year, and will be renewed upon mutual agreement.
- *Minimum purchase amount.* We do not set minimum purchase amount for diamond procurement.
- *Payment.* We settle the payment for procurement of diamond within 30 days upon receiving the invoice issued by diamond suppliers.

---

## BUSINESS

---

### *Raw Material Trade-in*

Apart from our regular raw material procurement activities as described above, we, to a lesser extent, also supplement our supply and inventory of raw materials, including gold and diamond, through trade-in practice. From time to time, our self-operated stores or online sales channels receive end consumers' trade-in gold and diamond, among others, as part of the consideration for the end consumers' purchase at our self-operated stores. The traded-in material can only be used to set off part of the purchase price of the new jewelry. We consider raw material trade-in a form of non-cash settlement arrangement between our end consumers and our self-operated stores or online sales channels, rather than a procurement of raw materials from end consumers. We only conduct raw material trade-in with end consumers at our self-operated stores or with end consumers who purchase our products through our online sales channels, and we do not conduct raw material trade-in with our franchisees for our sales of products to franchise stores. According to Frost & Sullivan, sourcing raw material through trade-in practice is common among jewelry brands in China, and there are other industry peers that have adopted similar trade-in practices with end consumers at self-operated stores, which are comparable to our practice. Our PRC Legal Advisor is of the view that, pursuant to the Anti-Money Laundering Law of the People's Republic of China and other relevant laws and regulations currently in force in the PRC, there is no prohibition or restriction to the retail industry for carrying out jewelry raw material trade-in business.

### *Gold Trade-in Process*

Gold is the primary raw material sourced through trade-in practice. End consumers can bring in used gold jewelry to our self-operated stores. We accept used gold jewelry from both our brand and other brands for trade-in in our self-operated stores. The used gold jewelry is considered solely on the basis of its gold content, without regard to any design or craftsmanship. The weight of the new gold jewelry that the end consumer wishes to purchase at our self-operated stores must typically be at least equal to or greater than the weight of the used gold jewelry being traded in. The used gold jewelry's weight is applied to offset part of the weight of the new gold jewelry. The end consumer must still pay for the excess gold weight in addition to the crafting fee for the entire new jewelry piece. Throughout the process, we do not pay cash to end consumers.

The following elaborates on the general operational flow of our gold trade-in practice at our self-operated stores:

- End consumers trade in gold at our self-operated stores to partially set off the purchase price of their new jewelry purchase at our self-operated stores, and pay at our self-operated stores the remaining purchase price in cash;
- Our self-operated stores collect traded-in gold from end consumers and conduct quality inspection to the traded-in gold; and
- If the traded-in gold passes the quality inspection, it will be delivered to our headquarters for inventory; if the traded-in gold fails the quality inspection, it is returned to the end consumer and the gold trade-in transaction is annulled.

---

## BUSINESS

---

End consumers can also trade in used gold jewelry through our online sales channels. We only accept used gold jewelry purchased from our online sales channels for trade-in. Throughout the process, we do not pay cash to end consumers. The following elaborates on the general operation flow of our gold trade-in for end consumers who purchase our products through our online sales channels:

- The end consumers place order online for the new purchase and indicate their wish to trade in used gold jewelry as part of the settlement;
- The end consumers send the used gold jewelry to us for quality inspection;
- If the traded-in gold passes the quality inspection, it will be delivered to our headquarters for inventory. The traded-in materials will partially offset the purchase price and we will send a link to the end consumers to pay the remaining purchase price; if the traded-in gold fails the quality inspection, it is returned to the end consumer and the gold trade-in transaction is annulled.

### *Trade-in Process for Other Raw Materials*

To a lesser extent, we also receive other materials through trade-in, such as diamond and platinum. With respect to the trade-in of these materials, we typically only accept used jewelry from our brand, and we require end consumers to provide us with quality assurance certificates (or, in the case of diamond-set jewelry, the diamond authenticity certificate as well) for us to verify the authenticity of the used jewelry. The trade-in value of the used jewelry is typically calculated as 80% of its original selling price. When purchasing new jewelry using this trade-in value to partially offset the purchase price, the new jewelry’s purchase price must be greater than the trade-in value. Throughout the process, we do not pay cash to end consumers.

In 2021, 2022 and 2023, consideration paid in the form of raw material trade-in from end consumers at our self-operated stores amounted to RMB52.3 million, RMB44.0 million and RMB64.8 million, respectively, accounting for 1.9%, 1.4% and 1.3% of our total revenue for the same periods, respectively. In 2021, 2022 and 2023, consideration paid in the form of raw material trade-in from end consumers through our online sales channels amounted to RMB0.2 million, RMB0.2 million and RMB0.4 million, respectively, accounting for a de minimus amount of our total revenue for the same periods, respectively.

### *Accounting Treatment of Raw Material Trade-in*

In accordance with IFRSs, we account for traded-in raw materials received from end consumers as non-cash consideration and recognize sales of new products on a gross basis. The non-cash consideration received by us is recognized as inventory.

---

## BUSINESS

---

### Finished Products

During the Track Record Period, we procured finished products including gold jewelry and diamond-set jewelry from third-party finished product suppliers. We assess and evaluate the qualification for our suppliers of finished products on regular basis to ensure their eligibility. We require all suppliers of finished products to provide certificates issued by official authorities or institutions. For the years ended December 31, 2021, 2022 and 2023, the procurement of finished products amounted to RMB209.0 million, RMB218.2 million and RMB197.9 million, respectively, accounting for 11.0%, 9.9% and 4.9% of our procurement within the same periods, respectively.

The typical procedures for procuring finished products for our online sales channels are outlined as follows:

- Based on an analysis of sales trends and upcoming promotion, the e-commerce operations department and product department formulate and approve a procurement plan;
- Based on the procurement plan, our purchasing personnel coordinate with suppliers to ensure timely production and delivery of orders;
- Delivered finished products undergo quality inspection by third-party inspection agencies;
- Accepted products are processed and stored by the e-commerce product department.
- The finance department reviews and approves the related invoices and payments.

Below is the summary of salient terms of our standard agreement signed with our finished product suppliers during the Track Record Period.

- *Duration and renewal.* The term of agreement signed between us and our suppliers for finished goods is generally one year and will be renewed upon mutual agreement.
- *Minimum purchase amount.* We do not set minimum purchase amount for finished goods procurement.
- *Quality assurance.* The suppliers for finished goods shall ensure the quality of goods in line with the national standards without defects.

During the Track Record Period and up to the Latest Practicable Date, we did not experience significant shortage in the supply of finished products, or any other material breach of agreements signed with our finished products suppliers.

### Measures to Manage Raw Materials Price Fluctuations

We monitor and adjust our procurement plans in line with our operational needs and market conditions. Instead of employing common financial hedging strategies, we manage the volatility of raw material prices through careful management of production and sales cycles. By aligning our procurement closely with production schedules and quickly moving finished products to market, we effectively mitigate the impact of raw material price fluctuations. This strategy allows us to dynamically adjust inventory levels and respond promptly to changes in raw material costs and market demand.

---

## BUSINESS

---

### PRODUCT DESIGN AND DEVELOPMENT

We conduct both collaborative and proprietary product design and development to enhance the efficiency of new product development, ensuring that our products fully reflect our brand characteristics and meet precise market and consumer needs. As of Latest Practicable Date, we had a total of 16 product design and development personnel, focusing on jewelry design, market trend analysis and product selection.

Under the collaborative product design and development, we collaborate with outsourced producers to design and develop jewelry products that (i) we believe could be fashionable and likely to be well-received by the market, or (ii) are with industry leading designs or specialized techniques. We conduct extensive market research on current jewelry trends and consumer preferences, analyze regional trends and work closely with our outsourced producers to perform consumer analysis. We hold regular product development strategy workshops to make project development plans, and we collaborate closely with outsourced producers to design and develop new product series to meet market demand. The outcomes of the design will be passed to outsourced producers for production. We possess the rights relevant to intellectual property for products developed through the collaborative product design and development model.

Under our proprietary product design and development, our internal product design and development team independently carries out design and development work, and we hold intellectual property rights for all products developed through this model. Our process involves researching market trends and consumer preferences, generating the design by our proprietary team and conducting quality and copyright review to ensure the designs and products meet quality standards and do not infringe on intellectual property rights before finalizing designs and initiating mass production.

### PRODUCTION

During the Track Record Period, we primarily engaged in outsourced production, with only a small portion of production conducted in our self-operated factory. We closed our self-operated factory in April 2022 and shifted to full outsourced production model, out of cost-effective consideration and also in line with industry trends towards supply chain specialization. According to Frost & Sullivan, there is a mature and standardized jewelry manufacturing industry in China, particularly in the Pearl River Delta region, which boasts a robust jewelry manufacturing industry ecosystem with numerous factories specialized in outsourced production and consequently relatively low added value and profit margins of the manufacturing process within the jewelry industry. As a result, we chose to fully outsource our production process. This shift in production model also allowed us to allocate more resources to other aspects of our business such as brand development and promotion and the expansion of sales channels. According to Frost & Sullivan, the employment of outsourced production is in line with the market practice in jewelry industry.

We engage outsourced producers to produce certain gold and diamond-set jewelry products. Under the outsourced production model, we provide major raw materials including diamond and/or gold and design request to our outsourced producers for production. In 2021, 2022 and 2023, we had 83, 92 and 98 outsourced producers that we transacted with, respectively. For the years ended December 31, 2021, 2022 and 2023, outsourced production costs amounted to RMB156.5 million, RMB125.3 million and RMB147.2 million, respectively, accounting for 8.7%, 6.6% and 3.9% of our total cost of sales in the same periods, respectively.

---

## BUSINESS

---

The following sets forth an overview of the key steps involved in our outsourced production process:

- *Order Distribution.* We allocate production orders to outsourced producers based on our planning for outsourced production;
- *Raw Material Supply.* Outsourced producers receive necessary raw materials such as diamonds and gold directly from us;
- *Production.* Outsourced producers carry out the production process according to our specific design requirements, ensuring adherence to our quality and style specifications;
- *Delivery.* Upon completion, outsourced producers are responsible for delivering the finished products to our premises;
- *Settlement.* The settlement amount is determined based on the actual amount of raw materials used in the production. We typically settle the outsourcing fees with our outsourced producers monthly after receiving the invoice issued by outsourced producers; and
- *Quality Inspection and Stocking.* We conduct rigorous quality checks upon receipt of the products. After passing inspection, the products are admitted into our product network. See “– Quality Control – For Outsourced Production” in this section for more details of quality inspection.

We have internal policies for selecting and managing outsourced producers. We conduct thorough evaluation of potential outsourced producers based on their production capacity, quality, cost-effectiveness and delivery reliability. Before formal engagement, outsourced producers undergo a rigorous vetting process, including a bidding system, verification of their production capabilities and checks for necessary certifications. Outsourced producers are then categorized into trial, qualified, excellent or strategic levels based on continuous performance evaluations. These categories are dynamically adjusted based on compliance with our standards. We conduct regular quality inspections and performance reviews, requiring corrective measures for any deficiencies. This structured approach ensures we maintain a network of reliable and high-quality outsourced producers.

We typically enter into outsourced production agreements with our outsourced producers for a term of one year, renewable upon both parties’ mutual agreement. During the Track Record Period, we did not experience any material delay in supply or quality issue related to products supplied by outsourced producers.

To the best of our Company’s knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our outsourced producers were Independent Third Parties.



## BUSINESS

### OUR SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of (i) Shanghai Gold Exchange, (ii) diamond suppliers and (iii) outsourced producers. In 2021, 2022 and 2023, purchases from our five largest suppliers amounted to RMB1,456.7 million, RMB1,914.7 million and RMB3,689.0 million, respectively, representing 73.2%, 77.8% and 88.5% of our total purchases, respectively. In addition, purchases from the Shanghai Gold Exchange, our largest supplier, amounted to RMB1,296.8 million, RMB1,688.4 million and RMB3,564.6 million, accounting for 65.1%, 68.6% and 85.5% of our total purchases in 2021, 2022 and 2023, respectively. All of our five largest suppliers were Independent Third Parties during the Track Record Period. Out of a mutual desire to achieve operational synergies and strengthen our strategic alliance, certain entities owned by, or related to, our suppliers, made strategic investments in us and became our Pre-[REDACTED] Investors. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments” for details.

None of our Directors and their respective associates or our Shareholders who hold more than 5% of our total issued Shares had any interest in our five largest suppliers during the Track Record Period. Additionally, we did not experience any material disputes with our suppliers during the Track Record Period.

The following table sets forth the details of our five largest suppliers in each period during the Track Record Period:

Rank	Supplier	Purchase Amount (RMB'000)	Percentage of total purchase	Type of product/services provided	Credit terms	Year of business relationship
<i>For year ended December 31, 2021</i>						
1	Shanghai Gold Exchange <sup>(1)</sup>	1,296,757	65.1%	Gold and platinum	None	20
2	Supplier A <sup>(1)</sup>	44,905	2.3%	Diamond	30 days	6
3	Supplier B <sup>(2)</sup>	44,343	2.2%	Gold jewelry & Outsourced production service	30-60 days	7
4	Supplier C <sup>(3)</sup>	37,385	1.9%	Outsourced production service & Diamond-set jewelry	30 days	8
5	Supplier D <sup>(4)</sup>	33,312	1.7%	Gold jewelry & Outsourced production service	30-60 days	3

*Notes:*

- (1) During the Track Record Period, procurement was made through our accounts opened with the members of the Shanghai Gold Exchange.
- (2) Established in 2012, Supplier A is a private company in Shanghai engaging in sales and distribution of jewelry products.

## BUSINESS

- (3) Established in 2011, Supplier B is a private company in Shenzhen engaging in sales and distribution of gold, other precious metal and gem-stone jewelry products, accessories and ornaments.
- (4) Established in 2011, Supplier C is a private company in Shenzhen engaging in design and sales of precious metal jewelry products.
- (5) Established in 2021, Supplier D is a private company in Shenzhen engaging in events organizations, design and sales of precious metal jewelry products.

Rank	Supplier	Purchase Amount (RMB'000)	Percentage of total purchase	Type of product/services provided	Credit terms	Year of business relationship
------	----------	------------------------------	------------------------------	-----------------------------------	--------------	-------------------------------

*For year ended December 31, 2022*

1	Shanghai Gold Exchange	1,688,402	68.6%	Gold and platinum	None	20
2	Planning and Natural Resources Bureau of Shenzhen Municipality (Luohu District)	86,300	3.5%	Land	Prepayment	2
3	Supplier B	59,089	2.4%	Gold jewelry & Outsourced production service	30-60 days	7
4	Supplier E <sup>(1)</sup>	49,963	2.0%	Diamond	30 days	8
5	Supplier F <sup>(2)</sup>	30,913	1.3%	Land	Prepayment	2

*Notes:*

- (1) Established in 2003, Supplier E is a private company in Shanghai engaging in manufacturing of jewelry products.
- (2) Established in 2019, Supplier F is a state-owned company in Shenzhen engaging in investment on various industries.

Rank	Supplier	Purchase Amount (RMB'000)	Percentage of total purchase	Type of product/services provided	Credit terms	Year of business relationship
------	----------	------------------------------	------------------------------	-----------------------------------	--------------	-------------------------------

*For year ended December 31, 2023*

1	Shanghai Gold Exchange	3,564,648	85.5%	Gold and platinum	None	20
2	Supplier B	41,094	1.0%	Gold jewelry & Outsourced production service	30-60 days	7

## BUSINESS

Rank	Supplier	Purchase Amount (RMB'000)	Percentage of total purchase	Type of product/services provided	Credit terms	Year of business relationship
3	Supplier H <sup>(1)</sup>	29,762	0.7%	Gold jewelry & Diamond-set jewelry and other jewelry & Outsourced production service	30-60 days	4
4	Supplier I <sup>(2)</sup>	28,630	0.7%	Gold jewelry & Diamond-set jewelry and other jewelry & Outsourced production service	30-60 days	2
5	Supplier E	24,891	0.6%	Diamond	30 days	8

*Notes:*

- (1) Established in 2013, Supplier H is a private company in Shenzhen engaging in manufacturing of jewelry products.
- (2) Established in 2014, Supplier I is a private company in Shenzhen engaging in manufacturing of jewelry products.

### OUR CUSTOMERS

#### Our Customers

During the Track Record Period, our customers primarily consisted of our franchisees and e-commerce platforms. In 2021, 2022 and 2023, our five largest customers together generated RMB291.1 million, RMB431.5 million and RMB675.2 million of revenue, respectively, accounting for 10.5%, 13.9% and 13.1% of our total revenue, respectively. In addition, revenue generated from our largest customer accounted for 5.7%, 9.1% and 9.0% of our total revenue in 2021, 2022 and 2023, respectively. All of our five largest customers were Independent Third Parties during the Track Record Period.

To the best of our knowledge and as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who owns 5% or more of the total issued Shares had any interest in any of our five largest customers during the Track Record Period.

## BUSINESS

The following table sets forth the details of our five largest customers in each period during the Track Record Period.

Rank	Customer	Sales Amount <i>(RMB'000)</i>	Percentage of total revenue	Type of product/services purchased	Credit terms	Year of business relationship
<i>For year ended December 31, 2021</i>						
1	Customer A <sup>(1)</sup>	159,291	5.7%	Gold jewelry, diamond-set jewelry and others	Within 30 days	8
2	Customer B <sup>(2)</sup>	66,610	2.4%	Gold jewelry, diamond-set jewelry and others	Within 30 days	10
3	Customer C <sup>(3)</sup>	24,921	0.9%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
4	Customer D <sup>(4)</sup>	20,953	0.8%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
5	Customer E <sup>(5)</sup>	19,349	0.7%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	19

*Notes:*

- (1) Customer A is an e-commerce platform engaging in sales of general merchandise products.
- (2) Customer B is an e-commerce platform engaging in discount retail of branded products.
- (3) Customer C is an individual franchisee who is the actual controller of a Franchisee Group.
- (4) Customer D are two individual franchisees who are the actual controllers of a Franchisee Group.
- (5) Customer E is an individual franchisee who is the actual controller of a Franchisee Group.

## BUSINESS

Rank	Customer	Sales Amount <i>(RMB'000)</i>	Percentage of total revenue	Type of product/services purchased	Credit terms	Year of business relationship
<i>For year ended December 31, 2022</i>						
1	Customer A	283,165	9.1%	Gold jewelry, diamond-set jewelry and others	Within 30 days	8
2	Customer B	95,279	3.1%	Gold jewelry, diamond-set jewelry and others	Within 30 days	10
3	Customer D	18,555	0.6%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
4	Customer C	17,995	0.6%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
5	Customer F <sup>(1)</sup>	16,510	0.5%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	15

*Note:*

(1) Customer F is an individual franchisee who is the actual controller of a Franchisee Group.

## BUSINESS

Rank	Customer	Sales Amount (RMB'000)	Percentage of total revenue	Type of product/services purchased	Credit terms	Year of business relationship
<i>For year ended December 31, 2023</i>						
1	Customer A	461,240	9.0%	Gold jewelry, diamond-set jewelry and others	Within 30 days	8
2	Customer B	111,897	2.2%	Gold jewelry, diamond-set jewelry and others	Within 30 days	10
3	Customer C	47,950	0.9%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
4	Customer D	27,584	0.5%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	18
5	Customer F	26,507	0.5%	Gold jewelry, diamond-set jewelry and others Services under franchise model	30-60 days	15

### Third-Party Payment Arrangements

During the Track Record Period, certain of our franchisees (individually or collectively, the “**Relevant Franchisee(s)**”) settled their outstanding payments with us through accounts of third-party payors designated by these Relevant Franchisees (such arrangements, the “**Third-Party Payment Arrangements**”). For the years ended December 31, 2021, 2022 and 2023, 413, 438 and 673 Relevant Franchisees used the Third-Party Payment Arrangements, respectively, and the aggregate amount of payment from their designated third-party payors to us represented approximately 2%, 2% and 3% of total revenue in 2021, 2022 and 2023, respectively. During the Track Record Period, no individual Relevant Franchisee made a material contribution to our Group’s revenue.

During the Track Record Period, third-party payors designated by the Relevant Franchisees included:

- (1) The business operators of Relevant Franchisees that were in the form of sole proprietorships. Payments made by such third-party payors accounted for 79%, 77% and 73% of total payments under the Third-Party Payment Arrangements in 2021, 2022 and 2023, respectively. As advised by our PRC Legal Advisor, under the form of sole proprietorship, the business operators are jointly and severally liable for the debt obligations of the sole proprietorships.

---

## BUSINESS

---

- (2) Other types of third-party payors, including legal representatives of corporate Relevant Franchisees, or other affiliates of Relevant Franchisees.

We communicated with major Relevant Franchisees (apart from those in the form of sole proprietorships with their third-party payors being their business operators) and as of the Latest Practicable Date, and written confirmations had been obtained from a vast majority of those Relevant Franchisees and their designated third-party payors (the “**Confirmations**”), affirming that, among other things:

- (i) There was no dispute or potential dispute regarding the Third-Party Payment Arrangements, and the Relevant Franchisees and their designated third-party payors had not and would not ask us to return the payments;
- (ii) All settlements with us were backed by genuine transactions, and payments made by the third-party payors were accurate and legitimate. The Third-Party Payment Arrangements did not involve money laundering, commercial bribery or any other activities in violation of applicable laws and regulations;
- (iii) Settlement amounts were consistent with the relevant transaction amounts, and we were not obligated to return the funds received under these Third-Party Payment Arrangements. Furthermore, we were not bound by any agreement of rights and obligations relating to the Third-Party Payment Arrangements between the Relevant Franchisees and their designated third-party payors; and
- (iv) From the date of the Confirmations, the Relevant Franchisees committed to settling their outstanding payments directly to us without using the Third-Party Payment Arrangements.

Our Directors confirm that, to the best of our knowledge, none of the Relevant Franchisees or the third-party payors designated by the Relevant Franchisees during the Track Record Period was a connected person of our Group and the designated third-party payors were independent from any of our Directors, senior management and Shareholders.

According to the feedback letter issued by the Shenzhen Branch of the People’s Bank of China on April 8, 2024, there were no records of administrative penalties imposed on us by the Shenzhen Branch of the People’s Bank of China during the Track Record Period due to violations of relevant laws, regulations, rules and normative documents of the People’s Bank of China.

Our Directors confirm that, during the Track Record Period, (i) we did not proactively initiate any Third-Party Payment Arrangement; (ii) we did not provide any discount, commission, rebate or other benefits to any of the Relevant Franchisees to facilitate or encourage the Third-Party Payment Arrangements; and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were in line with other franchisees who did not use the Third-party Payments.

---

## BUSINESS

---

Based on the foregoing, our PRC Legal Advisor is of the view that, (i) the Third-Party Payment Arrangements do not violate any mandatory provisions of applicable laws or regulations in China; (ii) the likelihood that our Third-party Payment Agreements would be deemed as constituting crime of money laundering and subject to the relevant criminal liability pursuant to the relevant PRC laws and regulations is remote; and (iii) the risk that we may be obligated to return the funds received under the Third-Party Payment Arrangements is remote.

Based on the foregoing, our Directors confirm that, to the best of their knowledge, (i) the Third-Party Payment Arrangements did not involve money laundering or any other activities in violation of applicable laws and regulations; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not received any inquiries or warnings regarding money laundering from any banks where we held accounts; and (iii) we had not been subject to any resolved or ongoing criminal sanctions, public security investigations, or administrative penalties related to money laundering by any competent authorities.

### *Reasons for Using Third-Party Payment Arrangements*

To the best of our knowledge, the use of the Third-party Payment Arrangement by the Relevant Franchisees was primarily because the Relevant Franchisees did not have readily available business bank accounts or they used the accounts of their affiliates for the purpose of convenience during the ordinary course of business. The Relevant Franchisees were primarily in the form of sole proprietorships or small and medium-sized corporate entities. According to Frost & Sullivan, it is common for sole proprietorships or small and medium-sized corporate entities in the jewelry industry in China not to have readily available business bank accounts for payment settlement purpose. As a result, they tend to opt for any payment methods that are readily accessible to them for payment settlement, including using the Third-Party Payment Arrangements. According to Frost & Sullivan, it is a common practice for franchisees to settle payments through third-party payors in the jewelry industry in China. Third-Party Payment Arrangements allow the Relevant Franchisees to settle payments with us in a timely manner, which is conducive to the transaction efficiency.

### *Rectifications of the Third-Party Payment Arrangements*

Since June 2024, we have begun to rectify the Third-Party Payment Arrangements and to require our franchisees to enter into supplemental agreements to our franchise agreements. Under the supplemental agreements, we only allow payments (i) directly from the accounts of the franchisees or (ii) if not directly from the accounts of the franchisees, through the accounts of, in the case of sole proprietorships, the business operators of such sole proprietorships. In the latter case, the business operators allowed to make payments to us are required to enter into the supplemental agreements with the respective franchisees and become contractual parties with us. Our supplemental agreements specify the detailed information and payment obligation of the respective contractual parties.



## BUSINESS

---

As of the Latest Practicable Date, with respect to the third-party payors who were the business operators of franchisees that were in the form of sole proprietorships, we had initiated the signing of supplemental agreements with those franchisees and their business operators, and with respect to all other types of third-party payors, we had ceased accepting payments made by them. As advised by our PRC Legal Advisor, if the payors who are not our franchisees have duly executed the supplemental agreements and assumed the payment obligations thereunder, they will also become contractually obligated with respect to the payments they made under the supplemental agreements. Our Directors consider that the rectification of the Third-Party Payment Arrangements did not have, nor will have, any material adverse effect on us.

### *Enhanced Internal Control Measures for Third-Party Payment Arrangements*

We have enhanced our internal control to manage the risks associated with the Third-Party Payment Arrangements, including that:

- we have initiated the implementation of Third-Party Payment Arrangements rectification measures and informed our employees regarding the enhanced internal control;
- we have prepared the supplemental agreements to our standard franchise agreements, pursuant to which all franchisees are required to settle payments with us directly through their own bank accounts, except that, in the case of franchisees that are sole proprietorships, payments may be settled by their business operators only if they also enter into the supplemental agreements and become contractual parties thereunder;
- we have required franchisees (or, in the case of franchisees that are sole proprietorships, the business operators of such sole proprietorships) to submit their account information to us before any payment is made, and we would closely monitor any change of account information to identify any Third-Party Payment Arrangement;
- to prevent fraud or money laundering activities, we have further strengthened our know-your-customer procedures to gain an understanding of our customers (including our franchisees), including verification of payment details against our records to confirm payments are made in accordance with the agreements;
- we have required our employees to reject and/or return all payments made by third-party payors;

## BUSINESS

- we manage our Group’s bank accounts as well as our Group’s other accounts used for transactions in accordance with the principle of segregation of duties. Different staff of our finance department are assigned with different duties to verify, record, manage and settle transactions through such accounts, to ensure the accuracy of our accounting records, reduce the risks of account misuse and avoid account security risks; and
- in addition, our sales team will hold regular meetings with franchisees to gain insights into their business operations, thereby reducing the risk of involvement in fraudulent or money laundering activities.

Based on the review of the implementation of the abovementioned measures, our Directors are of the view that such measures are effective and adequate in preventing risks associated with Third-party Payment Arrangements in the future.

### Overlapping Customers and Suppliers

#### *Overlapping Customers Which Are E-commerce Platforms*

During the Track Record Period, under our sales to e-commerce platforms model, e-commerce platforms purchased jewelry products from us. As a result, they were recognized as our customers. On the other hand, we purchased marketing and promotion services from them in order to enhance our brand recognition and also to promote our products on these platforms during the Track Record Period. As a result, they were recognized as our suppliers. The purchase amount we paid to them represented the amount we paid for such procurement. The following table sets out quantitative disclosures on our total sales revenue and purchase amount with all e-commerce platforms that were both customers and suppliers during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
Sales revenue ( <i>RMB'000</i> )	225,901	378,444	573,136
As a percentage to total revenue (%)	8.1	12.2	11.1
Purchase amount ( <i>RMB'000</i> )	9,730	20,524	7,079
As a percentage to total purchase amount (%)	0.5	0.8	0.3

In particular, Customer A is an e-commerce platform engaging in sales of general merchandise products and was one of our five largest customers during the Track Record Period. Our revenue generated from Customer A amounted to RMB159.3 million, RMB283.2 million and RMB461.2 million in 2021, 2022 and 2023, respectively, and our purchase amount paid to Customer A amounted to RMB9.4 million, RMB19.8 million and RMB6.3 million, in 2021, 2022 and 2023, respectively.

Customer B is an e-commerce platform engaging in discount retail of branded products and was one of our five largest customers during the Track Record Period. Our revenue generated from Customer B amounted to RMB66.6 million, RMB95.3 million and RMB111.9 million in 2021, 2022 and 2023, respectively, and the purchase amount paid to Customer B amounted to RMB0.3 million, RMB0.7 million and RMB0.7 million in 2021, 2022 and 2023, respectively.

## BUSINESS

### *Overlapping Customers Which Are Authorized Suppliers*

During the Track Record Period, authorized suppliers mainly paid us supply chain management fee pursuant to our agreement in exchange for the right we grant to them to provide jewelry products to our franchisees. As a result, they were recognized as customers who we derived revenue from. In addition, certain authorized suppliers were also our suppliers as they provided us with jewelry products, in addition to providing products to our franchisees. As a result, the purchase amount we paid to them represented the amount we paid for such procurement.

The following table sets out quantitative disclosures on our revenue and purchase amount with our authorized suppliers who were also our suppliers during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
Revenue (RMB'000)	42,702	50,256	49,901
As a percentage to total revenue (%)	1.5	1.6	1.0
Purchase amount (RMB'000)	252,415	190,047	147,126
As a percentage to total purchase amount (%)	12.7	7.7	3.5

Supplier C, an authorized supplier of ours, is a non-listed company in Shenzhen focusing on design and sales of precious metal jewelry products, and was one of our five largest suppliers in 2021. Our revenue generated from Supplier C amounted to RMB0.1 million in 2021, and our purchase amount from Supplier C amounted to RMB37.4 million in 2021.

Supplier D, an authorized supplier of ours, is a non-listed company in Shenzhen focusing on events organizations, design and sales of precious metal jewelry products, and was one of our five largest suppliers in 2021. Our revenue generated from Supplier D amounted to RMB0.5 million in 2021, and our purchase amount from Supplier D amounted to RMB33.3 million in 2021.

Our Directors confirm that our sales to and our purchases from the overlapping customers which are authorized suppliers were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, and (ii) conducted on an arm's length basis. To the best knowledge of our Directors, we did not have any other overlap between our other major customers and major suppliers during the Track Record Period and up to the Latest Practicable Date.

### **PRODUCT WARRANTY AND CUSTOMER SERVICES**

#### **Sales Return and Exchange**

##### *Sales Return and Exchange Policy for Sales at Self-operated Stores*

We generally do not accept returns or exchanges of gold products and diamond-set products sold to end consumers except for quality issue. For years ended December 31, 2021, 2022 and 2023, the amount of returned products from our self-operated stores accounted for RMB1.3 million, RMB2.1 million and RMB0.9 million, respectively, accounting for 0.4%, 0.6% and 0.2% of our revenue from self-operated stores, respectively.

---

## BUSINESS

---

### *Sales Return and Exchange Policy between Us and Franchisees*

#### *Gold Products*

We do not accept returns or exchanges of gold products sold to franchisees unless there are quality issues.

#### *Diamond-set Products*

We generally do not accept returns or exchanges of diamond-set products sold to franchisees unless there are quality issues. However, in the event of a store closure, franchisees may return diamond-set products at a discounted price based on their original procurement price. This return option is available only if the procurement occurred leading up to the store closure within a specified period as below:

- products procured within one year could be returned with 80% of original procurement price;
- products procured over one year but less than two years could be returned with 75% of original procurement price; and
- products procured beyond two years are not eligible for return.

Franchisees can exchange diamond-set products within one year from the settlement of the procurement. Exchanges are not permitted beyond this period, and the price of the exchanged product must be higher than that of the original product.

For all diamond returns and exchanges, all relevant product data, labels and certificates must be provided to us for record and the products for return or exchange must pass with our quality inspection.

For years ended December 31, 2021, 2022 and 2023, the amount of returned products from our franchisees accounted for RMB15.2 million, RMB4.7 million and RMB1.8 million, respectively, accounting for 0.9%, 0.3% and 0.1% of our revenue from our franchise model, respectively.

### *Sales Return and Exchange Policy for Self-operated E-Commerce Stores and Sales to E-commerce Platforms*

Our sales return and exchange policy varies for the sales to e-commerce platforms model or on our self-operated e-commerce stores.

---

## BUSINESS

---

### *Sales to E-Commerce Platforms*

Under this model, we sell products to e-commerce platforms, which then manage sales of these products directly to end consumers online. The e-commerce platforms are generally allowed to return products to us without any reason. On the other hand, end consumers’ return and exchange are subject to the following:

- For certain platforms, end consumers generally cannot return products except for quality issues within seven days of receipt. The e-commerce platform may return products to us without any reason; and
- For certain other platforms, end consumers can return products made of platinum, silver, diamonds, K-gold, jade and pearls without reason within seven days of receipt, but cannot exchange them. Gold products are not eligible for return without reason.

### *Self-Operated E-Commerce Stores*

For our self-operated e-commerce stores on various platforms, we generally accept returns within seven days of receipt, subject to certain exceptions. For example, on some platforms, returns within seven days of receipt for gold or platinum jewelry are not accepted. Additionally, customized jewelry products are generally not eligible for return.

During the Track Record Period, the amount of returned or exchanged products from our self-operated e-commerce stores and sales to e-commerce platforms amounted to RMB33.9 million, RMB56.7 million and RMB96.6 million, respectively, accounting for 4.6%, 5.3% and 5.5% of our revenue from online sales channels, respectively.

According to Frost & Sullivan, our product return policy is in line with industry practice.

### **After-Sales Maintenance Service**

For products that require repair due to damage, we provide repair services. We also provide jewelry cleaning services.

### **Customer Activities**

To foster brand loyalty, we regularly invite our end consumers to our festival celebration and promotion sales. Additionally, in coordination with our marketing team, we organize activities aiming at expanding our potential end consumer base. These initiatives are designed to enhance customer satisfaction and engagement, thereby strengthening our brand presence.

### **Membership Program**

We have established a tiered membership program aimed at rewarding consumer loyalty and enhancing the overall shopping experience. End consumers can join by registering through our official WeChat account and receiving an electronic membership card. The program features multiple tiers, with members advancing based on their spending levels over time.

---

## BUSINESS

---

Members enjoy a range of benefits, including point accumulation for purchases, special birthday rewards and discounts on products and services. For instance, our silver, gold, and diamond members receive progressively larger discounts and additional privileges such as free lifetime maintenance services and complimentary resizing and engraving. Points earned can be redeemed for various rewards.

### QUALITY CONTROL

We are committed to maintaining high standards of quality across all products sold under our brand, whether sourced directly by us or procured by our franchisees from authorized suppliers. Our quality control measures ensure that all products meet our stringent quality criteria. Our quality control protocol includes rigorous supplier qualification, multi-level inspection processes and continuous monitoring to ensure high level of quality with respect to product sources, as further detailed below:

#### **For Products Procured by Franchisees from Authorized Suppliers**

*Authorized Supplier Qualification and Approval:* we conduct rigorous qualification and approval process for all authorized suppliers. This involves detailed review of their credentials, capabilities and track record, among others. Additionally, we perform an annual audit to ensure that these suppliers continue to meet our high standards and comply with our requirements. This process is designed to verify that all authorized suppliers have the necessary qualifications and adhere to our quality control standards, providing a reliable source of high-quality products for our franchisees;

*Delivery and Verification Procedures:* authorized suppliers are prohibited from delivering products selected or ordered by franchisees directly to them. Instead, they must deliver the products, along with the required documentations, to our headquarters or designated offices within the agreed schedule. Upon delivery, our dedicated staff will verify the quantity, category and other details of the products before signing off on the receipt; and

*Product Admission into Our Network:* products sourced by franchisees from authorized suppliers must undergo a stringent admission process before being integrated into our product network. See “– Our Sales Network – Our Franchise Model – Products Procured by Our Franchisees – Procurement from Authorized Suppliers” in this section for details.

#### **For Products Procured by us from Finished Product Suppliers**

*Supplier Qualification:* we evaluate all finished product suppliers to ensure they meet our high standards. This includes a review of their operational capabilities, quality control processes and track record. Suppliers are required to provide detailed documentation of their manufacturing practices, sourcing of raw materials and compliance with relevant industry standards and regulations. We also consider third-party certifications and accreditations as part of our assessment;

*Product Admission Process:* products provided by finished product suppliers are subject to the same rigorous admission process as those sourced from authorized suppliers by our franchisees. This includes initial assessment by our quality control team upon receipt, followed by detailed inspections and product admission to ensure traceability of products;

---

## BUSINESS

---

*Routine Random Inspections:* we perform routine random inspections of products procured from our finished product suppliers to ensure ongoing compliance with our quality standards. These inspections help us proactively identify and address any potential quality issues, maintaining the integrity of our product offerings; and

*Continuous Supplier Monitoring and Feedback:* we maintain an ongoing relationship with our finished product suppliers, providing regular feedback based on our inspections and audits. Finished product suppliers who fail to meet our standards are subject to corrective actions, and persistent non-compliance may result in termination of the business relationship.

### **For Outsourced Production**

We maintain stringent quality control measures for our outsourced production. All outsourced producers are required to conduct quality inspections on products supplied to us in accordance with relevant national standards. Each batch of products must be accompanied by a quality inspection report or a quality certificate, guaranteeing the quality of the supplied products. The outsourced producers are prohibited from altering the composition of raw materials, critical production processes or design parameters of the products without prior written notification to us. We conduct monthly statistical analyses of the quality of products supplied by each outsourced producer and regularly communicate quality performance records with our outsourced producers. Should an outsourced producer exhibit frequent quality issues, we mandate corrective and preventive actions. We may also decide to either suspend or terminate the outsourced producer's qualification to provide products if they cannot rectify the issues in a satisfying manner.

During the Track Record Period, regarding our outsourced production, there was no material delay or material product quality issue.

### **BRAND, MARKETING AND PROMOTION**

We believe that our personalized jewelry is a form of heartfelt expression and a way to embrace life with love. We target to attract end consumers with diverse backgrounds who resonate with our core values. We market our brand and products primarily through the following ways: (i) advertisements on TV channels, social media and in our stores through website banners, product images and videos; (ii) endorsement of our brand and products by KOLs and celebrities; and (iii) sponsoring high-profile TV programs.

#### **Our Marketing Team**

Our branding and marketing team develops and implements strategies to promote our brand awareness, and advertising our products across different channels. In 2021, 2022 and 2023, our promotion and advertising expenses amounted to RMB59.8 million, RMB89.0 million and RMB108.5 million, respectively.

---

## BUSINESS

---

### Marketing Activities

Our marketing strategy integrates our products with contemporary culture to appeal to younger generations. We collaborated with emerging designers to expand our product line, such as “Trendy Gold” (“潮金系列”) and “Imperial Garden Fantasy” (“頤和仙境”), and carried out cross-sector collaborations with notable entities such as Game for Peace (“和平精英”) and Xi’an Museum.

To enhance brand exposure, we leverage both traditional and digital marketing channels. We engage end consumers through interactive events such as “pop-up stores” and member salons. In terms of social media marketing, we regularly publish content on WeChat, Douyin, Xiaohongshu, Kuaishou, Bilibili and other social platforms. Additionally, we enhance brand appeal by advertisement placements in variety shows and TV drama, KOL livestreams and other marketing promotion. For instance, our brand concept “True gold is not afraid of fire, genuine love is of no fear to test” (“真金不怕火煉，真愛不怕考驗”) was integrated into the TV drama “He Came from the Fire” (“他從火光走來”).

### Marketing Oversight and Compliance Measures

We have implemented a set of measures to oversee our marketing activities and ensure compliance with relevant laws and regulations. Key measures include:

- *Review by Brand Director.* All promotional materials are subject to a thorough review by our brand director. This review process ensures that the content aligns with our brand values, adheres to internal marketing guidelines, and meets the quality standards;
- *Legal Review and Monitoring.* We have established a robust legal review process involving both our internal legal team and external legal counsel. All marketing materials must be reviewed and approved by our legal department before publication to ensure compliance with applicable laws and regulations. Additionally, we engage external legal counsel to conduct periodic audits of our marketing practices, providing an extra layer of oversight and compliance assurance;
- *Legal Compliance Training.* We conduct legal compliance training sessions for our employees, including the management teams and members of our marketing team. These training sessions are designed to increase awareness of relevant laws and regulations, particularly those governing advertising and consumer protection. By educating our staff on these matters, we aim to prevent inadvertent non-compliance and promote a culture of integrity.

See “– Business – Our Sales Network – Our Franchise Model – Management of Our Franchisees – Marketing Activities by Franchisees” for our oversight of franchisees’ marketing activities.

### LOGISTICS

Our logistics team is in charge of receiving finished goods from our factory or suppliers, storing those finished goods in our warehouse, picking and packing orders and coordinating with third-party logistics service providers for shipping.



---

## BUSINESS

---

We select logistics service providers through multiple criteria, including corporate strength, operational capabilities, collaboration track record, price and scale. We enter into delivery service agreements with independent third-party logistics service providers to arrange delivery from our authorized suppliers/exhibition halls to our stores and end consumers. We generally enter into service agreements with our logistics service providers with a term of two year(s), which would be renewed upon mutual agreement. We generally do not bear the risk of loss or damage relating to the transportation and delivery of our products as we typically enter into shipment protection service (保價服務) with our third-party logistics service providers, based on which they shall indemnify us for the loss or damage incurred subject to certain cap on the amount of indemnification, which is generally the shipment protection amount (保價金額) determined and declared by us according to the actual value of the consignment when we place a shipping order. The risk relating to the transportation and delivery are transferred to the logistics service providers once they confirm the receipt of the products to be delivered. Our arrangement with the third-party logistics service providers allows us to respond to our customers and end consumers in a fast and efficient method, and reduce the risk of encountering traffic accidents, delivery delay or loss.

### INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work-in-progress and finished goods, consigned processing materials, packaging materials and goods in transit. We have a computerized/centralized inventory management system. This system allows us to monitor our levels of inventory on a timely basis in order to maintain appropriate levels in line with market demands. For the years ended December 31, 2021, 2022 and 2023, our inventory turnover days were 237 days, 275 days and 169 days, respectively. We procure raw materials and plan our production based on our sales forecasts as well as actual sales activities and purchase orders available from our system. As of December 31, 2021, 2022 and 2023, our inventory amounted to RMB1,246.4 million, RMB1,614.7 million and RMB1,912.7 million, respectively, accounting for 61.5%, 62.5% and 62.2% of our total assets as of the same date, respectively.

#### Inventory of Raw Materials

We procure and maintain our raw materials based on various factors, including our sales performance, anticipated stock turnover, sales forecast, market demand and the fluctuation of gold and diamond. We regularly monitor our inventory level and make plan of our inventory on a monthly basis. Our procurement practices involve both qualitative methods, relying on the experience and judgment of our exhibition hall managers and sales staff, and quantitative methods, utilizing historical data and sales growth projections to forecast future inventory needs and periodic physical counts.

#### Inventory of Gold and Diamond-set Products

We manage the inventory level of our gold and diamond-set products based on confirmed purchase orders from customers and estimated sales volume. Our sales and senior management teams analyze market information to determine the required amount of raw materials required to meet market demand for our products. We closely monitor our inventory level of gold and diamond-set products through regular reviews of computerized inventory records.

---

## BUSINESS

---

### Inventory Security

To ensure our inventory security, we released the Inventory Management Policy (《貨品存貨管理制度》) and require all of our staff to comply with the compulsory requirements set in the policy, including:

- *Inventory Withdrawal Recording.* Each inventory withdrawal must be recorded and the withdrawer must sign a pre-numbered inventory withdrawal notice to acknowledge receipt of the inventory;
- *Tagging and Identification.* All the inventory of raw materials, gold and diamond-set products must be tagged in accordance with weight, color, and degree;
- *Daily Checks and Reconciliation.* Our exhibition hall staff conduct daily checks to ensure inventory records match physical counts, and any discrepancies are investigated immediately;
- *Controlled Access.* Access to storage areas is restricted and monitored, with keys securely stored and not taken offsite; and
- *Monitoring Equipment.* Regular checks are conducted to ensure all security equipment is functioning correctly.

During the Track Record Period, we did not experience any material loss of inventory due to theft. In light of our inventory control procedures as mentioned above, we believe that the inventory control measures implemented by us are effective and adequate.

### CEREMONIAL AND FESTIVAL EVENTS

Our sales performance is significantly influenced by ceremonial and festival events such as Mid-Autumn Festival, Chinese New Year, PRC National Day holiday, Valentine’s Day, Qixi Festival and other national holidays, which are typically associated with Chinese tradition of gift-giving. Furthermore, some shopping festivals set by some third-party online shopping platforms, such as 618 Shopping Festival (618購物節), Double 11 Shopping Festival (雙十一購物節) and Double 12 Shopping Festival (雙十二購物節), encourage higher sales of our products. As a result, these events have historically generated heightened consumer purchasing activities, leading to increase in our sales volumes.

As a result, the inherent variability in our sales related to these events may cause our business, financial performance and results of operations to fluctuate from period to period, and 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 overall performance.

---

## BUSINESS

---

### COMPETITION

According to Frost & Sullivan, the size of the jewelry market in China grew at a CAGR of 7.2% from RMB580 billion in 2018 to RMB820 billion in 2023. In particular, the market size of gold jewelry in China grew at a CAGR of 11.0% from RMB308.0 billion in 2018 to RMB518.0 billion in 2023. In terms of market size by sales channels, franchise stores held the largest share of 72.9% in the gold jewelry market in 2023, followed by self-operated stores and e-commerce sales. However, the e-commerce sector experienced the most rapid growth, with a CAGR of 16.2% from 2018 to 2023, indicating an accelerating shift towards digitalization and the increasing consumer preference for the convenience of online shopping in the jewelry industry. The gold jewelry market is expected to reach RMB811.0 billion in 2028 with a CAGR of 9.4%, according to Frost & Sullivan.

According to Frost & Sullivan, the gold jewelry market in China is concentrated. Market share of the five largest jewelry companies in terms of number of stores in China increased from 31.6% in 2018 to 37.7% in 2023. Brand loyalty in the gold jewelry industry is a key factor, with end consumers often favoring established brands they perceive as reliable and of high-quality. Developing a strong brand in this industry requires substantial investment in marketing, customer service and the consistent delivery of high-quality products.

See “Industry Overview” for details.

### INFORMATION TECHNOLOGY

Our IT team devotes significant efforts to developing and upgrading information systems that allow our various departments to function with effectiveness and to facilitate the collection, management and analysis of data. We plan to continue investing in our information system in the future.

We have a centralized and integrated IT infrastructure to support our overall operations, our use of data analytics and our marketing and manufacturing process. Our IT infrastructure is widely used in the course of our business operation and throughout the whole operation life cycle, from the very beginning of sourcing materials to end consumption. We continue to enhance the reliability and scale of our IT infrastructure to provide support for our various departments and customers with satisfying and convenient user experience.

---

## BUSINESS

---

The success of our business is based on our information systems, which allow us to monitor and manage the activities and performance of various departments and our sales data. We have information systems that integrate internal and external management information across various aspects of our business operations. These systems enable us to manage our procurement, sales and distribution, quality control, inventory and logistics, financial reporting and human resources functions. We rely on these systems to provide customers with smooth and fast online shopping experiences and to collect, manage and analyze data relating to sales, inventory, employee performance and customer feedback. Our information systems also allow our management to monitor and assess the performance of our various departments in real time and to make informed decisions in time to enhance the efficiency and productivity of these departments.

### DATA PRIVACY AND PROTECTION

We have adopted a series of measures to secure the privacy of our customers, including maintaining the register of our data processing activities, adopting certain measures to protect data stored in our systems, antivirus wall and network accessibility restrictions. We conduct a cybersecurity penetration test annually to evaluate the security of our IT systems. Besides, we have a disaster recovery plan for our IT applications and servers in China. During the Track Record Period and up to the Latest Practicable Date, we collected the personal data from our consumers primarily including their surname, gender and mobile phone number on a voluntary basis. For our online sales, third-party platforms should be responsible for protecting the users' information and we only collected data necessary for completion of transaction, such as delivery information. During the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalties related to the collection, storage and use of personal data collected, and we had not experienced any material legal proceedings related to data privacy. Considering that (i) we are not engaged in digital economy or Internet platform businesses and do not conduct any data development and processing activities; (ii) we have obtained authorization or consent from our consumers' prior to collecting and using their personal data, and (iii) we have adopted a range of measures to secure the privacy of our customers, our Special PRC Legal Advisor is of the view that we have complied with applicable PRC laws and regulations in relation to cybersecurity and data privacy in all material aspects, and would be able to comply with all applicable draft laws and regulations when they become effective in current form.

### INSURANCE

We maintain insurance policies to secure our business continuity. We believe that our existing insurance coverage is adequate for our business operation and is in line with industry standards.

During the Track Record Period, we were not subject to any material claim of insurance. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not cover all losses."

## BUSINESS

### EMPLOYEES

As of the Latest Practicable Date, we had a total of 1,828 full-time employees. All of our employees were based in China as of the Latest Practicable Date. The table sets forth a breakdown of our employees by function as of the Latest Practicable Date.

<b>Function</b>	<b>Number</b>	<b>Percentage of Total Number (%)</b>
Self-operated Stores	611	33.5
Franchise Management	393	21.5
Online Sales Channels	370	20.2
Supply Chain Management	156	8.5
Branding and Marketing	121	6.6
Administration	120	6.6
Information Technology	41	2.2
Product Design and Development	16	0.9
Total	<u>1,828</u>	<u>100.0</u>

We highly value the potential of our employees and have invested substantial efforts and resources in recruiting and training our employees. In addition to regular recruitment program through specialized recruiting firms and other third-parties, we have also implemented internal referrals policy to attract potential talents to join us. In light of the long-term benefits of talent cultivation, we provide internal training programs to our employees periodically to enhance their technical know-how and solidify their knowledge and expertise for the industry.

We enter into standard employment agreements with our employees. As required by laws and regulations in PRC, we participate in various government statutory employee benefit plans, including social insurance plans, namely pension, medical, unemployment, work-related injury and maternity insurance plans, and housing provident fund. As of the Latest Practicable Date, we were not subject to any fines or administrative penalties imposed by any regulatory authorities due to non-compliance.

None of our employees are currently represented by labor unions. We believe that we maintain good working relationships with our employees, and we have not experienced any material labor disputes, strikes, protests or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

---

## BUSINESS

---

### PROPERTIES

#### Owned Properties

##### *Land Parcel*

As of the Latest Practicable Date, we owned and occupied the land use rights of one land parcel in Shenzhen, with an aggregate land area of approximately 3,680.1 sq. m., which was used for construction of our headquarters office. As of the Latest Practicable Date, we had obtained the land use rights certificate for the land parcel we owned and occupied.

##### *Building or Units*

As of the Latest Practicable Date, we owned one building in Shenzhen, with an aggregate gross floor area of approximately 2,372.6 sq. m., which were mainly used as our residential area for employees. As of the Latest Practicable Date, we entered into a sale and purchase agreement with respect to two units and one store room in Hong Kong, with an aggregate gross floor area of 3,500 sq.ft, which were mainly used as our office spaces. As of Latest Practicable Date, we had obtained all building ownership certificates for the building we owned in Shenzhen. For two units and one store room in Hong Kong, we expect to obtain all the relevant ownership certificates in the second half of 2024.

#### Leased Properties

As of the Latest Practicable Date, we leased 66 properties that were material to our business operation across China, and were used as our office spaces and self-operated stores, with an aggregate gross floor area of approximately 25,660.7 sq. m. Our leases generally have a term ranging from one to ten year(s). We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee.

Pursuant to the applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development. As of the Latest Practicable Date, we had not completed lease registration for 56 properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. As advised by our PRC Legal Advisor, the non-registration of the relevant property lease agreements 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 registration within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of the non-registration for each lease agreement of such properties. As of the Latest Practicable Date, we were not subject to any investigation or administrative penalties by the relevant government authorities, nor subject to any legal proceeding or arbitration in relation to such non-registered lease agreements. Considering the above and based on our PRC Legal Advisor' opinion, our Directors are of the view that the failure to register these lease agreements does not have a material adverse impact on our business and operation results.

---

## BUSINESS

---

As of the Latest Practicable Date, the lessor of 46 leased properties had not provided the relevant certificates and/or the consent, authorization, or approval which entitle the lessors to lease the specific properties. We may face the risk of: (i) failure to find alternative properties and relocating our offices and self-operated stores which were unregistered leased properties within time frame; (ii) paying additional rent. Our PRC Legal Advisor is of the view that such leased properties that either have no ownership certificate or the lessor of which is unable to provide property ownership certificate does not have a material adverse impact on our business and operation results. As of the Latest Practicable Date, we were not subject to any investigation or administrative penalties, nor subject to any legal proceeding or arbitration in relation to these properties. Considering the above and based on our PRC Legal Advisor’ opinion, our Directors are of the view that our lessors’ failure to provide the relevant certificates and/or the consent, authorization, or approval which entitle the lessors to lease the specific properties would not have a material adverse impact on our business and operation results.

As of the Latest Practicable Date, we had eight leased properties whose actual usage were not consistent with the usage stated in the ownership certificates of the premise where they located. We may face the risk of (i) being expelled from such properties and (ii) being fined by the relevant government authorities. As of the Latest Practicable Date, we were not subject to fine or administrative penalties by the relevant government authorities, nor subject to any legal proceeding and arbitration in relation to such properties. Our PRC Legal Advisor is of the view that the discrepancy on the actual usage and usage stated in the ownership certificates would not have any material impact on our business or results of financial operation. Our Directors are of the view that there would be no material obstacle for us to find alternative properties for the same use.

### Property Valuation

As of the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### INTELLECTUAL PROPERTY

We regard our trademarks, patents, copyrights, software copyrights, domain names, and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we had 257 registered trademarks, 713 patents, 696 copyrights, 18 software copyrights and three domain names in China and 97 registered trademarks overseas. See “Appendix VI Statutory and General Information – 2. Further Information about our Business – Intellectual Property” for more details of our material intellectual property rights.

---

## BUSINESS

---

As of the Latest Practicable Date, one of our registered trademarks under Category 35 of Nice Classification was revoked by relevant government authorities due to non-use for three consecutive years and was in the process of being reviewed by relevant government authorities. Nine of our registered trademarks under Category 14, Category 21 and Category 35 of Nice Classification were revoked by relevant government authorities due to non-use for three consecutive years, to which we have initiated administrative legal proceedings to courts. Our PRC Legal Advisor is of the view that such revocation of registered trademarks would not have any material adverse impact on our business and financial results of operation.

In addition, as of the Latest Practicable Date, we were the plaintiff in two pending civil litigation cases relating to intellectual property rights with claim amount of principal exceeding RMB2.0 million in each case. See “– Legal Proceedings and Compliance – Legal Proceedings” in this section for details. Our PRC Legal Advisor is of the view that such civil litigation cases, individually or in aggregate, would not have any material adverse impact on our business.

### **Measures to Ensure Intellectual Property Compliance**

We are committed to ensuring that our operations, as well as those of our suppliers, authorized suppliers and franchisees, do not infringe upon the intellectual property rights of others. Our approach to intellectual property compliance includes stringent contractual obligations, regular inspections and proactive measures to address any potential violations.

With respect to our suppliers, including finished product suppliers, we require strict adherence to non-infringement of third-party intellectual property rights through detailed contractual agreements. These contracts explicitly prohibit any form of intellectual property infringement. To ensure compliance, we conduct regular inspections as well as random checks on the products of our suppliers. We also engage external legal advisors to assist with intellectual property compliance check. Any violation of intellectual property rights by suppliers is subject to penalties, including fines, as stipulated in our contracts. This serves as a strong deterrent against potential infringements and reinforces our commitment to IP compliance.

Similarly, authorized suppliers are bound by contracts that prohibit the infringement of third-party intellectual property rights. We perform routine checks and random checks on their products to ensure that authorized suppliers adhere to the non-infringement clauses of our agreements, and conduct random inspection on products procured by our franchisees from time to time. In addition, we also assign our external legal advisors team to review and check if there is any potential infringement on intellectual property rights to others. Violations by authorized suppliers may be penalized in accordance with the terms of our agreements, including the imposition of fines. We also engage external legal advisors to assist with intellectual property compliance check. Authorized suppliers are also contractually obligated to indemnify us or our franchisees for losses we or our franchisees may incur in cases where the products supplied by authorized suppliers infringe on third-party intellectual property rights, which resulted in us or our franchisees being required to compensate end consumers.



## BUSINESS

---

We also implement stringent intellectual property compliance requirements with respect to our franchisees. Franchisees are mandated to source products either from authorized suppliers or directly from us. Our supervision includes regular inspections and oversight to ensure franchisees comply with our intellectual property requirements. Franchisees are contractually prohibited from procurement from unauthorized channels, and non-compliance is subject to penalties, including fines or termination of franchise agreements in severe cases. To address potential intellectual property issues proactively, we have established robust mechanisms to handle complaints by end consumers. See “– Risk Management and Internal Control – Internal Control” in this section for details.

Internally, we engage external legal advisors to conduct thorough intellectual property checks on our products and operations to ensure compliance with intellectual property rights. Random inspections are also conducted on our products to verify ongoing compliance with intellectual property requirements.

In addition, as a company primarily relying on a combination of trademarks, patents, copyrights, software copyrights, domain names or other intellectual property rights, we clearly state all rights and obligations regarding the ownership and protection of intellectual properties in the commercial agreements we enter into. Our internal legal advisors are primarily responsible for managing and protecting our intellectual property by proactively expanding our intellectual property portfolio and monitoring the major online e-commerce platforms for potential infringement and counterfeit of our intellectual property rights. When potential infringement or counterfeit is identified, our legal team will take prompt legal actions or report to the relevant government authorities.

Through the implementation of these measures, we strive to uphold the integrity of our brand, safeguard our operations and ensure that our business complies with intellectual property rights.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are deeply committed to social responsibility and recognize the fundamental importance of Environmental, Social, and Governance (“ESG”) factors in our path towards sustainable development. Our primary goal is to generate and amplify a positive impact on our employees, customers and business partners. We do not operate any production facilities, which shields us from significant health, work safety, social or environmental risks. Simultaneously, we are dedicated to enhancing our environmental accountability and our role in the public sphere.

---

## BUSINESS

---

### Environment Sustainability

We are subject to relevant environmental protection laws and regulations. During the Track Record Period, we made efforts to address environmental challenges and minimize ecological footprint. We actively seek to conserve resources, reduce the discharge of waste and pollutants and support initiatives that contribute to our sustainable development.

We have adopted resource conservation practices in our operations with a goal on the following aspects:

- *Environment friendly practice.* We use reusable trays when receiving products instead of using bags;
- *Supply Chain Management.* We work closely with our suppliers to ensure the safety and quality of the raw materials for our products; and
- *Energy Conservation.* The primary energy sources we utilize include electricity and water consumed in our self-operated factory and headquarters. In 2021, 2022 and 2023 (i) our electricity consumption was approximately 1.5 million kWh, 1.4 million kWh and 1.4 million kWh, respectively; and (ii) our water consumption was approximately 13,274.0 tons, 11,274.0 tons and 8,110.0 tons, respectively. We are committed to increasing our energy efficiency. For example, we adopt online, paperless meetings and trainings for our employees.

### Our Corporate Social Responsibility

We are committed to being responsible corporate citizens, continuously fulfilling corporate social responsibility. We recognize the size and influence of our platform, and seek to utilize our influence in a socially responsible manner. We actively encourage and support socially responsible initiatives and promote the concept of corporate social responsibility throughout our company. In addition, we collaborated with charity organization by organizing charitable event “520 Run for Love” (“520 愛跑”) to attract public’s involvement, which was held for seven years consecutively.

---

## BUSINESS

---

### *Employee Well-being*

We believe a core part of our corporate social responsibility is to take care of our employees. We value our people and respect the dignity, character, privacy, and personal interests of each of our employees. We place strong emphasis on well-being in the workplace. Activities are organized regularly to facilitate our employees exploring and pursuing their hobbies and interests, and achieving a healthy work-life balance. We organized activities among almost all of our employees regularly. We also foster inclusion and equality among employees from all backgrounds, regardless of age, gender, disability, and citizenship status, among others in our activities. As of December 31, 2023, 76% of our employees were female. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment.

### *Professional Development*

We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering training and career development programs to our employees to support their growth and upward mobility. We provide a large variety of professional development training with a wide coverage including business skills and self-improvement. We conduct employee assessments to provide feedback and guidance, and, depending on their performance and responsibilities, provide promotion and training opportunities.

### *Business Integrity*

We are committed to shaping our corporate governance and culture to a high standard. We believe good governance and a healthy culture are essential to our employees' well-being as well as our business development. To this end, we have put in place a series of internal regulations to set forth guidelines for compliance with laws and regulations and promote honest and ethical conduct, including our code of business conduct and ethics, and internal control manual.

We have also implemented an anti-bribery and corruption policy that requires our employees to conduct business legally and ethically. They are also not allowed to accept or solicit any such unauthorized payment. Our anti-bribery and corruption policy also prohibits other misconduct, such as misappropriation and embezzlement, fraud or other illegal activities. Any violation of the policies could result in dismissal and financial fines. We have also established a whistle-blower program, through which our employees, distributors and other third parties can report instances of bribery directly to us.

### *Health and Work Safety*

During the Track Record Period, we complied with the relevant applicable occupational health and safety laws and regulations in all material respects in the PRC. We strive to provide a safe working environment for our employees and implement work safety guidelines for all of our employees.

---

## BUSINESS

---

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time be involved in legal proceedings or other disputes in the ordinary course of business operation. As of the Latest Practicable Date, we were the plaintiff in four pending litigation cases in China, with the claim amount of principal exceeding RMB2.0 million in each case. The aggregate amount claimed to the court in these cases amounted to RMB72.08 million.

#### *Case 1. Infringement of Trademark*

In January 2021, we initiated the civil litigation against the defendants on the basis that the defendants infringed our rights on registered trademark owned by us through using similar trademarks in their business operation. The claim amount in total was RMB30.0 million, and our claims to the court included (i) order to force the defendants to stop infringement of our registered trademark; (ii) order to make apology on public media for 30 consecutive days; and (iii) order to indemnify the loss and expenses incurred with a total amount of RMB30.0 million.

The court of first instance held and ordered the defendants to (i) stop infringement of our registered trademark; (ii) make apology on public media for three consecutive days; (iii) indemnify us with a total amount of RMB30.0 million; and (iv) dismiss other claims.

The defendants appealed and the court of appeal upheld (i) and (ii) of the judgment made by court of first instance, but revoked the (iii) and (iv) of the judgment and dismissed other claims, and ordered the defendants to indemnify us with the total amount of RMB 5.0 million. In February, 2024, we applied to the supreme court for retrial. As of the Latest Practicable Date, our application for retrial was approved by the supreme court of the PRC, which was still pending for trial.

#### *Case 2. Unfair Competition*

In July 2021, we initiated the civil litigation against a celebrity (the “**Celebrity**”), her agent, and two other defendants (collectively as the “**Defendants**”) on the basis of unfair competition. The claim amount in total was RMB30.0 million and our claims to the court included: (i) order the Celebrity and her agent to cease the endorsement conduct with the other two defendants and stop the relevant marketing activities in the name of the Celebrity; (ii) order the other two defendants to stop the unfair competition by terminating the endorsement agreement with the Celebrity; (iii) order the Defendants to make announcement on public media for 30 consecutive days; and (iv) order the Defendants to indemnify the loss and expenses incurred with a total amount of RMB30.0 million.

The court of first instance held and ordered the Celebrity and her agent to (i) cease the endorsement conduct; (ii) indemnify the loss and expenses incurred with a total amount of RMB6.15 million; (iii) make announcement on public media for five consecutive days; and (iv) dismissed other claims.

The Celebrity and her agent appealed in April 2023, and the case was heard in February 2024. As of the Latest Practicable Date, the case was still pending for the judgment to be made by the court of appeal.

---

## BUSINESS

---

### *Case 3. Commercial Disparagement*

In February 2024, we initiated the civil litigation against the defendants on the basis that the defendants released a series of articles on social media with false and misleading information on our brand and reputation. The claim amount in total was RMB10.0 million and our claims to the court included (i) order the defendants to stop the dissemination of commercial disparagement; (ii) order the defendants to make apology on public media; and (iii) order the defendants to indemnify the loss and expenses incurred with a total amount of RMB10.0 million.

As of the Latest Practicable Date, the case was still pending for hearing by the court of first instance.

### *Case 4. Infringement of Trademark and Unfair Competition*

In November 2021, we initiated the civil litigation against the defendants based on infringement of trademark and unfair competition. The claim amount in total was RMB2.08 million and our claims to the court included: (i) order the defendants to stop infringement of our registered trademarks; (ii) order one of defendants to stop using similar corporate names as ours; (iii) order the defendants to indemnify the loss and expenses incurred with a total amount of RMB2.08 million; and (iv) order the defendants to make announcement on public media.

The court of first instance held and ordered three of the defendants to (i) stop infringement of our registered trademarks; (ii) indemnify the loss and expenses incurred with a total amount of RMB100,000; and (iii) dismissed other claims.

As of the Latest Practicable Date, neither the plaintiff nor the defendant had appealed to the court, and the judgment made by court of first instance was pending for execution.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any other legal proceedings which could individually or in aggregate, have a material impact on our business, and we had complied with all relevant laws and regulations applicable to us in all material aspects. Our PRC Legal Advisor is of the view that such pending litigations where we were as the plaintiff would not have any material impact on our business and results of financial operation.

### **Non-compliance**

#### *Inadequate Contribution to the Social Insurance Plan and Housing Provident Fund*

During the Track Record Period, we had not paid social insurance and housing provident fund in full for certain employees in accordance with PRC laws. Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

---

## BUSINESS

---

As of the Latest Practicable Date, we were not subject to any administrative action or penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. As of the Latest Practicable Date, we were not aware of any material complaint filed by our employees regarding our social insurance and housing provident fund policy.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises’ historical social insurance arrears. Our Directors believe that such non-compliance would not have a material adverse effect on our business and financial results of operations, considering that: (i) we were not subject to any material administrative action or penalty imposed by the relevant authorities with respect to our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date; (ii) we were not aware of any material employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident fund during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident fund; and (iv) as advised by our PRC Legal Advisor considering relevant regulatory policies with the relevant authorities in absence of employees’ complaints, the likelihood that we are subject to collection of enterprises’ historical social insurance arrears or any material administrative penalties imposed by the relevant government authorities due to our failure to provide full social insurance and housing provident fund contributions for our employees is remote and our Directors believe that such non-compliance would not have a material adverse impact on our financial condition or results of operations as a whole.

During the Track Record Period, we engaged third-party human resource agencies to pay social insurance and housing provident fund for certain of our employees. We may face the risk of paying additional contribution, late payment fee and/or penalties imposed by the relevant government authorities if the third-party human resource agencies failed to pay the social insurance or housing provident fund for the relevant employees in full amount and/or in a timely manner, or are subject to the challenge on the validity of such arrangements by relevant authorities. Our PRC Legal Advisor is of the view that the likelihood that we are subject to collection of enterprises’ historical social insurance arrears or any material administrative penalties imposed by the relevant government authorities for such arrangement is remote, and would not have any material adverse impact on our financial condition or results of operations as a whole.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions.

---

## BUSINESS

---

### RISK MANAGEMENT AND INTERNAL CONTROL

We have established and maintained risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We regularly review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding the achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

#### Internal Control

From time to time, we may receive complaints from our consumers. We improve our internal control on product quality and customer services as we consider our consumers as valuable resources. We have set up an after-sale service department, consisting of 62 members as of December 31, 2023 for handling complaints received from our end consumers. We have established a series of policies on customer services and respondent mechanism on handling complaints from our consumers. We set up diverse reporting channels including customer service hotline and social media accounts, through which our consumers could provide their feedback on products and services. When we receive the complaints, our staff in customer service department will promptly file a case and make an internal record. They will check with the consumer first and follow up with the relevant stores or e-commerce platforms. Subsequently, they will refer the case and information collected from consumers and stores to our internal team for further check and inspection. When the relevant departments reach a conclusion or plan. The customer service department will communicate with the consumers and close the case. We will keep internal record of complaints received, and analyze the reasons for complaints to make appropriate rectifications and improvement. The average time for processing each complaint received from our reporting channels is less than seven days.

#### Risk Management

We have implemented or will adopt a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) prevention of market misconduct; and (v) compliance with the Listing Rules.

Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems at least annually. We designate specific measures and mechanisms for risk management and internal control and ensure their effective implementation in our daily operations. The head of each department is the main responsible personnel for risk management and internal control of the department under his/her charge. Each department head investigates and formulates plans in advance for potential hazards that may be caused by crisis or events with high risks.

---

## BUSINESS

---

Without prejudice to the responsibilities of the Board of Directors as a whole, the Audit Committee oversees financial and business risk management and discusses the process by which management assesses and manages our exposure to those risks and the steps taken to monitor and control such exposure. See “Directors, Supervisors and Senior Management – Board Committees – Audit Committee” in this document. Our Audit Committee is responsible for ensuring that the processes and procedures recommended by our external auditors are implemented in a timely manner.

### LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits to operate our business. We are required to renew such certificates, permits and licenses from time-to-time, and we are continually overseeing the compliance with the relevant laws and regulations. We have a designated department responsible for overseeing the compliance with the relevant laws and regulations on licenses, permits and approvals in order to ensure that we have all such licenses, permits and approvals as are necessary to operate our business.

As of the Latest Practicable Date, we had 20 self-operated stores that have not obtained business licenses yet. For these 20 self-operated stores, (i) we were applying for the business licenses of 14 of these stores and expected to obtain the business licenses in the second half of 2024; and (ii) we planned to close six of these stores in the second half 2024. Pursuant to Regulation of the People’s Republic of China on the Administration of the Registration of Market Entities (《中華人民共和國市場主體登記管理條例》) (the “**Regulation**”), entities which engage in business activities without establishment and registration shall be ordered by the registration authority to make corrections and their illegal gains shall be confiscated; entities which refuse to make corrections shall be fined not less than RMB10,000 but not more than RMB100,000; if the circumstances are serious, they shall be ordered to close down and cease operations in accordance with the law and be fined ranging from RMB100,000 to RMB500,000.

As of the Latest Practicable Date, we were not subject to any investigation or fine for these self-operated stores by the relevant government authorities. During the Track Record Period, the revenue generated from these self-operated stores was *de minimis*. We are proactively communicating with the relevant government authorities in applying for business license for these self-operated stores. Based on the foregoing, our PRC Legal Advisor is of the view that these self-operated stores without business license would not have any material impact on our business and results of financial operation.

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, saved as disclosed above, we had obtained all material licenses, approvals and permits required to operate our core business in the PRC, and such licenses, approvals and permits had remained in full effect.



## BUSINESS

### AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions we received during the Track Record Period and as of the Latest Practicable Date.

<b>Award/Recognition</b>	<b>Award Year</b>	<b>Awarding Institution/Authority</b>
China’s 500 Most Valuable Brands (“中國500最具價值品牌”)	2024	World Brand Lab
National High-quality Jewelry Brand (“全國珠寶首飾行業質量領先品牌”)	2024	China Association for Quality Inspection
National Model Enterprise for Products (“全國產品和服務質量誠信示範企業”)	2024	China Association for Quality Inspection
Annual Valuable Brand (“年度價值品牌”)	2023	The Growing of the Great Brand by China Central Television
Shenzhen time-honored Brand (“深圳老字號”)	2022	Shenzhen Old Brand Association

---

## REGULATORY OVERVIEW

---

### THE PRC

#### Laws and Regulations Relating to Overseas Listing

##### *Trial Administrative Measures of Overseas Securities Offering and Listing*

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

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

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

## REGULATORY OVERVIEW

To enhance confidentiality and archive management for domestic enterprises’ overseas offerings and listings, CSRC, MOF, National Administration of State Secrets Protection, and National Archives Administration revised regulations. The updated Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號)) were replaced with the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises (CSRC Announcement [2023] No. 44) (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》(證監會公告[2023]44號)) on February 24, 2023. These provisions now cover domestic joint stock companies directly listing overseas and entities indirectly listing abroad. They outline procedural requirements and specify enterprises’ confidentiality responsibilities and accounting archives administration, in alignment with the Overseas Listing Trial Measures.

### *Full Circulation of H Shares*

“Full circulation” represents listing and circulating on the Stock Exchange of the domestic unlisted shares of a domestic H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On August 10, 2023, CSRC announced the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》), allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

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

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

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has issued the Circular on Issuing the Guidelines to the Program for “Full Circulation” of H-shares (《關於發佈〈H股「全流通」業務指南〉的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

---

## REGULATORY OVERVIEW

---

### REGULATIONS RELATED TO THE GOLD JEWELRY INDUSTRY

#### Gold Production and Sales Qualification Requirement

In 2003, China implemented the Decision of the State Council Regarding the Cancellation of the Second Batch of Administrative Approval Items and Amendment to the Management Method of Certain Administrative Approval Items (《國務院關於取消第二批行政審批專案和改變一批行政審批專案管理方式的決定》). This decision marked the official elimination of the approval system by the PBOC for gold production, processing, and circulation. This included the abolishment of the following approvals: (i) gold purchase permits; (ii) approvals for gold product production, processing, and wholesale businesses; (iii) approvals for gold supply; and (iv) approvals for gold product retail businesses.

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

#### Foreign Trade

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

#### Import and Export Licensing System for Gold and Gold Products

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

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

---

## REGULATORY OVERVIEW

---

### Customs Law

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

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities.

### REGULATIONS RELATED TO COMMERCIAL FRANCHISED OPERATION

Franchised operation is subject to the supervision and administration of the Ministry of Commerce and its local competent commercial departments. These activities are currently regulated by the Administrative Regulations on Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and implemented from May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchised Operation (《商業特許經營備案管理辦法》) issued by the Ministry of Commerce on April 30, 2007 and most recently amended on December 29, 2023 and the Administrative Measures for the Information Disclosure of Commercial Franchised Operation (《商業特許經營信息披露管理辦法》) issued by the Ministry of Commerce on April 30, 2007, and most recently amended on February 23, 2012 and effective from April 1, 2012.

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

---

## REGULATORY OVERVIEW

---

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

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

### LAWS IN RELATION TO PRODUCT QUALITY AND CONSUMER PROTECTION

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

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

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

---

## REGULATORY OVERVIEW

---

### REGULATIONS REGARDING THE SALE OF PRODUCTS

#### Laws Related to Anti-Unfair Competition

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the Standing Committee of the National People’s Congress on September 2, 1993, and effective from December 1, 1993, with the latest amendment taking effect on April 23, 2019, has established several measures to combat unfair competition and protect market order. These measures include prohibiting acts such as unfair prize promotions and dumping to exclude market competitors.

According to the Anti-Unfair Competition Law of the PRC, operators are not allowed to bribe any employees of the counterpart units, any units or personnel entrusted by the counterpart, or influence the units or personnel of the counterpart to gain commercial opportunities or competitive advantages through their power. In addition, operators can openly pay discounts to the trading counterpart or commissions to intermediaries in their trading activities. Operators should truthfully record payments made to trading counterparts and intermediaries.

Operators who violate the provisions of Article 7 of the law by bribing others can have their illegal gains confiscated by the regulatory authority, and they may be fined with an amount ranging from RMB100,000 to RMB3,000,000 depending on the severity of the circumstances. In severe cases, their business licenses may be revoked.

#### Laws Related to Advertising

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

---

## REGULATORY OVERVIEW

---

### Legal Aspects Related to E-Commerce

The E-commerce Law of the PRC (《中華人民共和國電子商務法》), enacted by the SCNPC on August 31, 2018, and implemented from January 1, 2019, establishes fundamental guidelines for e-commerce operators engaged in commercial activities. According to this legislation, e-commerce operators are obligated to uphold principles of voluntariness, equality, fairness, and good faith in their business dealings. They are further mandated to comply with legal provisions and business ethics, participate equitably in market competition, fulfill responsibilities pertaining to consumer rights protection, environmental preservation, intellectual property safeguarding, network security, and personal information confidentiality. E-commerce operators are also held accountable for the quality of their products and services.

In instances where e-commerce operators fail to meet their contractual obligations, breach agreed-upon terms, or cause harm to others, they are liable for civil consequences as stipulated by the Law. Moreover, e-commerce entities conducting business activities without obtaining required administrative permits, offering goods or services prohibited by laws or administrative regulations, or neglecting their obligations to provide necessary information, may incur penalties imposed by the market supervision and management authorities, in accordance with pertinent laws and administrative regulations. The E-commerce Law emphasizes the importance of ethical conduct and legal compliance in the realm of electronic commerce, aiming to ensure integrity, fairness, and accountability within the digital marketplace.

### REGULATIONS ON WORK SAFETY

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

### REGULATIONS RELATED TO FIRE PREVENTION

#### Fire Protection Design Review and Final Inspection

According to the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, and recently amended on August 21, 2023, The fire protection design review system shall apply to special construction projects which a hotel, a restaurant, a shopping mall or a market, with a gross floor area of more than 10,000 square meters. Where an as-built special construction project undergoes the final inspection formalities, the construction entity shall file an application for fire protection final inspection with the competent department of fire protection design review and final inspection; where the project fails to undergo or pass the fire protection design review, it shall be prohibited from being put into use.



---

## REGULATORY OVERVIEW

---

The recordation and random inspection system shall apply to the classified management of other construction projects. Any other construction project that fails to pass the random inspection conducted under the law shall cease to be used.

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, Where a construction project that is subject to fire protection final inspection according to the law fails or is nonconforming as established by the fire protection final inspection, it shall be prohibited from being put into use; and any other construction project that is nonconforming as established by random inspection conducted under the law shall cease to be used.

Where any of the following conduct is committed in violation of any provision of this Law, the housing and urban-rural development authority and the fire and rescue department shall, in accordance with their respective powers, order cessation of construction or use, or suspension of production or business, and impose a fine of not less than RMB30,000 nor more than RMB300,000: a construction project that is subject to fire protection final inspection according to the law fails, or is nonconforming as established by the fire protection final inspection and is put into use without permission; any other construction project is nonconforming as established by random inspection conducted under the law upon final inspection and remains in use.

### **The Fire Safety Inspection Before A Public Gathering Place Is Put Into Use or Opens For Business**

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, A public gathering place that has not obtained the permit from the fire and rescue department shall not be put into use or open for business.

When a public gathering place is put into use or opens for business without the permission of the fire and rescue department, or it is found upon inspection that the use or operations of the place is inconsistent with its undertaking, the housing and urban-rural development authority and the fire and rescue department shall, in accordance with their respective powers, order cessation of construction or use, or suspension of production or business, and impose a fine of not less than RMB30,000 nor more than RMB300,000.

---

## REGULATORY OVERVIEW

---

### REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

#### Environmental Protection Law

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

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment.

#### Laws on Environment Impact Assessment

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

## REGULATORY OVERVIEW

### REGULATIONS ON CYBER INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

#### Privacy Protection

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

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

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

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

---

## REGULATORY OVERVIEW

---

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

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

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

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

## REGULATORY OVERVIEW

### Cyber Information Security

The SCNPC promulgated the Decision of the SCNPC on Maintenance of Cyber Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) promulgated by the SCNPC on December 28, 2000 and amended the same on August 27, 2009, the Provisions on Technological Measures for Cyber Security Protection (《互聯網安全保護技術措施的規定》) on December 13, 2005, which was effective on March 1, 2006, and the SCNPC promulgated the Decision of the SCNPC on Strengthening the Protection of Online Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) on December 28, 2012.

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

On November 7, 2016, the Cyber Security Law of the PRC (the “**Cyber Security Law**”) was promulgated by the SCNPC and became effective on June 1, 2017, which requires that a network operator (including, among others, internet information services providers) take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to ensure the secure and stable operation of the network, effectively cope with cyber security events, prevent criminal activities committed on the network, and protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data are gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data are gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; and (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data are collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of critical information infrastructure (the “**Critical Information Infrastructure Operators**”) generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

---

## REGULATORY OVERVIEW

---

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

On December 15, 2019, the CAC promulgated the Provisions on the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》) (the “**CAC Order No. 5**”), which became effective on March 1, 2020, to further strengthen the regulation and management of online information content. Pursuant to these regulations, each network information content service platform is required, among other things, (i) not to disseminate any information that violates laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to formulate management rules and platform convention, improve user agreements, clarify users’ relevant rights and obligations and perform the corresponding management responsibilities in accordance with the laws, regulations and conventions; (iv) to establish convenient means for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilize new technologies and applications such as deep learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in traffic fraud, traffic hijacking and other activities related to fraudulent account, illegal account transaction or maneuver of users’ account; and (iii) infringe a third party’s legitimate rights or seek illegal interests by way of interfering with information display.

---

## REGULATORY OVERVIEW

---

For purposes of ensuring the security of the supply chain for critical information infrastructure and safeguarding national security, the Measures for Cyber Security Review (the “**Cybersecurity Review Measures**”) (《網絡安全審查辦法》) was jointly issued by the CAC, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the “**MOF**”), the MOFCOM, the People’s Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration on December 28, 2021 and took effect on February 15, 2022. The Cyber Security Review Measures specifies that the procurement of network products and services by operator of critical information infrastructure and the activities of data process carried out by online platform operator that raise or may raise “national security” concerns are subject to strict cyber security review by Office of Cyber Security Review established by the CAC. Before such critical information infrastructure operator purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, online platform operators that possess the personal data of at least one million users must apply for a cyber security review by the Cyber Security Review Office before “foreign” listing (國外上市). The Cyber Security Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cyber Security Review Measures, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law of the PRC (《中華人民共和國數據安全法》), the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of non-compliant operations.

The cyber security review focuses on the assessment of risk related to procurement activities, data process and listing of companies overseas and the major factors that are taken into consideration includes (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information will be affected, controlled, or maliciously utilized by foreign governments after listing or the risk of internet information security; and (vii) other factors that may endanger the security of critical information infrastructure, cyber security, and data security. It may take approximately 70 business days in maximum for the general cyber security review upon the delivery of their applications, which may be subject to extensions for a special review. On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**Safe Protection Regulations**”) which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation, water conservation, finance, public services, e-government affairs and national defense and other related technology industries, as well as others in which any destruction or data leakage will have severe impact on national security, the nation’s welfare, the people’s living and public interests. The Safe Protection Regulations provide

---

## REGULATORY OVERVIEW

---

specific requirements for the following responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarify the measures for dealing with the failure of Critical Information Infrastructure Operators to perform their responsibilities for security protection, such as imposing fines. In addition, the CAC put forward the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”) on November 14, 2021 for public opinions until December 13, 2021. The Draft Cyber Data Security Regulation reiterates that the data processors listing in foreign countries with the personal information processed of more than one million individuals shall declare cyber security review. The Draft Cyber Data Security Regulation further requires the data processors that carry out the following activities to apply for cyber security review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security.

In addition, the Draft Cyber Data Security Regulation also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For example, in one of the following situations, data processors shall delete or anonymize personal information within fifteen business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been cancelled by the individual; and (iv) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology.



---

## REGULATORY OVERVIEW

---

According to the Draft Cyber Data Security Regulation, data processors that handle personal information of more than one million individuals shall follow the rules for the processing of important data and comply with specific requirements, for example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and file to the cyberspace administration at the districted city level within fifteen business days after the identification of their important data. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year’s data security assessment report to the cyberspace administration at the districted city level before January 31 of each year. When providing overseas data collected and generated within the PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processors shall go through the security assessment of data cross-border transfer organized by the CAC. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the CAC is still seeking comments on the Draft Cyber Data Security Regulation from the public, the Draft Cyber Data Security Regulation (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions on Security Vulnerability of Network Products**”) was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions on Security Vulnerability of Network Products and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions on Security Vulnerability of Network Products, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect on September 1, 2022. According to the Measures for the Security Assessment of Cross-border Data Transmission, a data processor shall report for security assessment of cross-border data transmission when it provides personal information or important data collected and generated in the course of its business operation within the PRC to a recipient outside the PRC under any of the following circumstances: (i) transferring important data outside the PRC by a data processor; (ii) transferring personal information outside the PRC by a Critical Information Infrastructure Operator or a data processor that has processed personal information of more than one million individuals; (iii) transferring personal information outside the PRC by a data processor that has transferred personal information of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals since January 1 of the previous year; and (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

---

## REGULATORY OVERVIEW

---

### LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### Trademark Law

The Trademark Law of the PRC (《中華人民共和國商標法》) and the Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) govern trademark registration, protection, and usage in China. Enacted on August 23, 1982, and last amended on April 23, 2019, the Trademark Law, effective from November 1, 2019, follows the “first-to-file” principle. It grants exclusive rights to trademark registrants, administered by the Trademark Office of the NIPA.

Registered trademarks are valid for ten years, renewable in ten-year increments. Renewal procedures must be completed within twelve months before expiry, with a possible six-month extension. The Trademark Office announces trademarks eligible for renewal. Trademark registrants can authorize others via licensing contracts, but licensing details must be filed with the Trademark Office. Failure to file won’t affect bona fide third parties. Quality supervision is the licensor’s responsibility, and licensees must maintain product quality when using the registered trademark.

#### Patent Law

The Patent Law of the PRC (《中華人民共和國專利法》) and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) govern patent activities in China. Enacted on March 12, 1984, and last amended on October 17, 2020, the Patent Law became effective on June 1, 2021. The Patent Office of the NIPA oversees national patent work. Provincial, autonomous region, or municipal patent administration departments handle local jurisdictions.

The Patent Law and its Implementation Rules recognize three patent types: “invention”, “utility model”, and “design”. Invention patents cover new technical solutions for products, methods, or their improvements. Utility model patents apply to practical technical solutions for product shapes, structures, or combinations. Design patents protect new aesthetic designs for products, including shape, pattern, and color combinations. Invention patents are valid for twenty years, design patents for fifteen years, and utility model patents for ten years from the application date.

China follows the “first to file” principle, granting patents to the earliest applicant for the same invention. Patentable inventions or utility models must be novel, inventive, and practical. Patent holders’ rights are legally protected, allowing others to use the patent only with proper authorization. Unauthorized use constitutes patent infringement unless specified by law.

---

## REGULATORY OVERVIEW

---

### Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective from June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system and laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended by the National Copyright Administration on February 20, 2002 and effective from the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective from March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will issued a registration certificate by the China Copyright Protection Center.

### Domain Names

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

---

## REGULATORY OVERVIEW

---

### REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994 and was latest amended on August 26, 2019, and the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed. According to the Civil Code, The parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract.

### LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

#### Labor Law and Labor Contract Law

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

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

## REGULATORY OVERVIEW

### Social Insurance and Housing Provident Fund

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

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

## REGULATORY OVERVIEW

### LAWS AND REGULATIONS IN THE PRC RELATING TO TAX

#### Income Tax Law

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

#### Income Tax Relating to Dividend Distribution

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

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

## REGULATORY OVERVIEW

### Value-added Tax

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

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

According to the Circular on Adjusting Value-added Tax Rates of Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective on May 1, 2018, from May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

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

---

## REGULATORY OVERVIEW

---

According to the Circular of the Ministry of Finance on Tax Policies of Diamonds and the Shanghai Diamond Exchange (《財政部關於鑽石及上海鑽石交易所關稅收政策的通知》), the Ministry of Finance stipulated that diamonds declared for customs clearance on the Shanghai Diamond Exchange are exempted from customs duty; the tax payment of consumption tax on diamonds is moved from the production and importing segments back to retailing segments; the consumption tax on un-mounted finished diamonds and diamond jewellery is reduced to a tax rate of 5% from the original 10%; and the tax rate on the exportation of diamonds is implemented at a zero tax rate.

### REGULATIONS IN RELATION TO FOREIGN INVESTMENT

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

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



---

## REGULATORY OVERVIEW

---

### LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

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

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

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

---

## REGULATORY OVERVIEW

---

SAFE Circular 13 cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

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

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

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

---

## CONTINUING CONNECTED TRANSACTIONS

---

We have entered into a number of transactions with our connected persons in our ordinary and usual course of business. Such transactions will continue after [REDACTED] and therefore constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial Shareholders, chief executive, any persons who were Directors within 12 months preceding the [REDACTED] and any of their respective associates, among others, will constitute connected persons of our Group upon the [REDACTED].

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### (A) Purchase of office equipment and packaging materials products

During the Track Record Period, our Group from time to time engaged Guangzhou Panyu Pengbo Daily Necessities Firm (廣州市番禺區篷勃日用品商行) (“**Guangzhou Panyu Pengbo**”) and Guangzhou Panyu Luopu Pidou Toy Firm (廣州市番禺區洛浦皮豆玩具商行) (“**Guangzhou Panyu Luopu**”), respectively, to supply office equipment and packaging materials products for our daily operation, including, among others, PVC packaging materials, printing paper, printer cartridges and packaging tapes. The aforementioned purchases of office equipment and packaging materials products for our daily operation are expected to continue after the [REDACTED]. The prices of such office equipment and packaging materials products will be determined by the parties at arm’s length negotiations with reference to prevailing market prices and prices for similar products supplied by Independent Third Parties.

For the years ended December 31, 2021, 2022 and 2023, the historical aggregate transaction amounts of fees paid by our Group in respect of the purchase of office equipment and packaging materials products from Guangzhou Panyu Pengbo and Guangzhou Panyu Luopu were approximately RMB0.5 million, RMB0.4 million, and RMB0.5 million, respectively.

Each of Guangzhou Panyu Pengbo and Guangzhou Panyu Luopu is a sole proprietorship controlled by Ms. Zhou Minling (周敏玲) (“**Ms. Zhou**”), the sister-in-law of Mr. Li Weipeng and Mr. Li Weizhu, our executive Directors and Controlling Shareholders. Accordingly, each of Ms. Zhou, Guangzhou Panyu Pengbo and Guangzhou Panyu Luopu constitutes a deemed connected person of our Company under Rule 14A.21 of the Listing Rules. We consider that our transactions with Guangzhou Panyu Pengbo and Guangzhou Panyu Luopu shall be subject to the requirements applicable to connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of these transactions is expected to be less than 0.1% on an annual basis, the purchases of office equipment and packaging materials products from Guangzhou Panyu Pengbo and Guangzhou Panyu Luopu in aggregate fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

---

## CONTINUING CONNECTED TRANSACTIONS

---

### (B) Sale of jewelry products

During the Track Record Period, our Group from time to time sold jewelry products to our connected persons (including our Directors, Supervisors and/or their respective associates) in our ordinary and usual course of business. The aforementioned sale of jewelry products is expected to continue after the [REDACTED], thereby constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules. The sale of jewelry products to our connected persons shall be determined with reference to, among others, the procurement price offered to our franchisees with applicable discount in accordance with our staff benefit policies. We believe, and as advised by Frost & Sullivan, the sale of jewelry products with applicable discount to connected persons is on normal commercial terms and is generally in line with the prevailing market practice in the jewelry industry. As such, we consider the sale of jewelry products to our connected persons (including our Directors, Supervisors and/or their respective associates) is also on normal commercial terms.

For the years ended December 31, 2021, 2022 and 2023, the historical transaction amounts pursuant to the sale of jewelry products by our Group to connected persons were approximately RMB41 thousand, RMB35 thousand, and RMB54 thousand, respectively.

As the highest applicable percentage ratio under the Listing Rules in respect of the transactions above is expected to be less than 0.1% on an annual basis, the sale of jewelry products to our connected persons fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### OVERVIEW

Our Board of Directors consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of our Group, determining the annual financial budgets and final accounts of our Group, determining the fundamental management systems of our Group, formulating profit distribution plans and loss recovery plans of our Group, and exercising other powers and functions as conferred by the Articles of Association.

### DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Responsibilities	Date of first appointment <sup>(1)</sup>	Date of joining our Group	Relationship with other Directors, Supervisors and senior management
Mr. LI Weizhu (李偉柱)	46	Chairman of the Board and executive Director	Providing leadership and governance of the Board, and responsible for the overall business strategies and management of our Group	November 7, 2018	April 28, 2004	Spouse of Ms. ZHONG Yingqin and brother of Mr. LI Weipeng
Mr. LI Weipeng (李偉蓬)	52	Executive Director and vice chairman of the Board  General manager	Responsible for the management of supply chain and back office of our Group	November 7, 2018	April 28, 2004  April 26, 2024	Brother of Mr. LI Weizhu
Mr. XIE Mingyu (謝明育)	44	Executive Director and deputy general manager	Responsible for overseeing the franchise business of our Group	November 7, 2018	February 2, 2008	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Responsibilities	Date of first appointment <sup>(1)</sup>	Date of joining our Group	Relationship with other Directors, Supervisors and senior management
Mr. ZHONG Xipeng (鐘錫鵬)	36	Executive Director  Chief e-commerce officer	Responsible for overseeing the e-commercial business of our Group	April 26, 2024  November 7, 2018	December 6, 2007	Brother of Ms. ZHONG Yingqin and brother-in-law of Mr. LI Weizhu
Ms. ZHONG Yingqin (鐘映琴)	39	Non-Executive Director	Responsible for providing advice on the operation and management of our Group	April 26, 2024	March 10, 2007	Spouse of Mr. LI Weizhu and sister of Mr. ZHONG Xipeng
Mr. LAU Kwok Fan (劉國勳)	42	Independent non-executive Director	Providing independent opinion and judgment to the Board	[REDACTED]	[REDACTED]	None
Ms. YANG Lan (楊嵐)	54	Independent non-executive Director	Providing independent opinion and judgment to the Board	[REDACTED]	[REDACTED]	None
Mr. GUO Qiuquan (郭秋泉)	40	Independent non-executive Director	Providing independent opinion and judgment to the Board	[REDACTED]	[REDACTED]	None

*Note:*

- (1) For the avoidance of doubt, the dates of the appointment refer to the appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability in November 2018. For the details of the conversion, see “History, Development and Corporate Structure – Major Shareholding Changes of Our Group – Conversion into a Joint Stock Limited Company in November 2018”.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. LI Weizhu (李偉柱)**, aged 46, is the chairman of the Board and an executive Director. He was appointed as a Director on November 7, 2018 and was re-designated as an executive Director on April 26, 2024. He was the general manager of our Company from November 7, 2018 to April 26, 2024. Mr. Li provides leadership and governance of the Board, and he is responsible for the overall business strategies and management of our Group. He has served as an executive director of Zhou Liu Fu Jewellery (Ningbo) Co., Ltd. (周六福珠宝(宁波)有限公司) since January 31, 2019, a general manager of Yixin Yiai Jewellery Co., Ltd. (一心一爱珠宝有限公司) since March 4, 2019, an executive director and a general manager of Zhou Liu Fu Jewellery Sales (Chongqing) since October 17, 2019, and a director of Hongkong Chuang Mei International Holdings Group Co., Limited (香港创美国际控股集团有限公司) since August 20, 2018. He also served as an executive director and general manager of Zhou Liu Fu E-Commerce from May 18, 2022 to June 14, 2024, an executive director of Yixin Yiai Jewellery Co., Ltd. (一心一爱珠宝有限公司) from March 4, 2019 to June 13, 2024, and an executive director and a general manager of Zhou Liu Fu Retail E-Commerce from May 30, 2022 to May 10, 2024. Each of the aforementioned entities is a member of our Group.

Mr. Li has approximately 20 years of experience in the jewelry industry. Mr. Li served as an executive director and executive general manager of the predecessor of our Company from April 2004 to November 2018. He has also served as a director of Hongkong Zhou Liu Fu Jewelry Limited (香港周六福珠宝国际集团有限公司) since August 2004, an executive director of Shenzhen Zhou Liu Fu since March 2013, a director of Foshan Jinfuhui Investment Development Co., Ltd. (佛山金福汇投资发展有限公司) since March 2022, and a director of Foshan Jinfusheng Investment Development Co., Ltd. (佛山金福盛投资发展有限公司) since January 2022. He served as a director of Foshan Guiyin Industry Investment Co., Ltd (佛山贵银产业投资有限公司) from June 2022 to November 2022. He has been a representative to the eighth Luohu District People’s Congress since October 2021.

Mr. Li graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC majoring in international finance in June 2000. Mr. Li obtained a degree of executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015, and a master’s degree in business administration (工商管理) from Tsinghua University (清華大學) in the PRC in June 2023.

**Mr. LI Weipeng (李偉蓬)**, aged 52, is the vice chairman of the Board, an executive Director and the general manager. He was appointed as a Director on November 7, 2018 and was re-designated as an executive Director on April 26, 2024. Mr. Li has served as the general manager of our Company since April 26, 2024. He is responsible for the management of supply chain and back office of the Group. He has served as a manager of Zhou Liu Fu Jewellery (Ningbo) Co., Ltd. (周六福珠宝(宁波)有限公司) since January 31, 2019, an executive director and a general manager of Shenzhen Zhenbao Jewellery Precision Manufacturing Co., Ltd. (深圳市臻宝珠宝精密制造有限公司) since December 28, 2020, an executive director and general manager of Shenzhen Zhou Liu Fu Training Co., Ltd. (深圳市周六福培训有限公司) since October 14, 2022, an executive director and a general manager of Shenzhen Chaoyou Gravity Jewellery Co., Ltd. (深圳市潮有引力珠宝有限公司) since April 10, 2023, and an executive director and a general manager of Zhou Liu Fu Retail E-Commerce since May 10, 2024, and the executive director and the general manager of Zhou Liu Fu E-Commerce since June 14, 2024. Mr. Li was also an executive director of Chaojin Jewellery (Shanghai) Co., Ltd. (潮金珠宝(上海)有限公司) from March 22, 2023 to May 23, 2024. Each of the aforementioned entities is a member of our Group.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li has approximately 20 years of experience in the jewelry industry. Mr. Li served as an executive director and general manager of the predecessor of our Company from April 2004 to November 2018. He has also served as an executive director and a general manager of Qiankun United since November 2015, a general manager of Ruoshui United since December 2018, a general manager of Shangshan United since December 2018, and a general manager of Shenzhen Zhou Liu Fu since December 2018.

**Mr. XIE Mingyu (謝明育)**, aged 44, is an executive Director and a deputy general manager of our Company. He was appointed as a Director on November 7, 2018 and re-designated as an executive Director on April 26, 2024. He was appointed as a deputy general manager on November 7, 2018. Mr. Xie is responsible for overseeing the franchise business of the Group.

Mr. Xie has approximately 20 years of experience in the jewelry industry. Mr. Xie joined our Group as an administrative manager of the predecessor of our Company in February 2008, and then served in several positions, including the director of southern area (南區業務總監) and an executive general manager (執行總經理).

Mr. Xie graduated from Nanchang University (南昌大學) in the PRC majoring in administrative management in July 1999, and obtained a bachelor’s degree in transportation civil engineering from Changsha University of Science and Technology (長沙理工大學) in the PRC in June 2021. Mr. Xie completed the advanced management program at Peking University (北京大學) in the PRC in May 2016. He has obtained the recognition from National Gemological Training Center (NGTC) (國家珠寶培訓中心) as Gemologist in May 2019. Mr. Xie was recognized as Industrial Innovation Leading Talent of Luohu District (羅湖區產業創新領軍人才) by Human Resources Bureau of Shenzhen Luohu District (深圳羅湖區人力資源局) in November 2022.

**Mr. ZHONG Xipeng (鐘錫鵬)**, aged 36, is an executive Director and chief e-commerce officer (電商總監). He was appointed as an executive Director on April 26, 2024. He has been a chief e-commerce officer of our Company since November 7, 2018. Mr. Zhong is responsible for overseeing the e-commercial business of the Group. Since May 2017, Mr. Zhong has been responsible for managing the e-commercial business related matters of our Company and operation of Zhou Liu Fu E-Commerce and Zhou Liu Fu Retail E-Commerce. He also oversees the online and offline sales of our new brands.

Mr. Zhong has approximately 15 years of experience in the jewelry industry. Mr. Zhong joined our Group in December 2007. From December 2007 to July 2013, Mr. Zhong had served as a manager of back office (後勤部經理) of the predecessor of our Company. He had then served as the manager of e-commerce department from August 2013 to April 2017.

Mr. Zhong graduated from Yunnan University (雲南大學) in the PRC majoring in visual communication design (視覺傳達設計) in December 2019.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Non-executive Director

**Ms. ZHONG Yingqin (鐘映琴)**, aged 39, is a non-executive Director. She was appointed as a non-executive Director on April 26, 2024. Ms. Zhong is responsible for providing advice on the operation and management of the Group, and does not hold any other executive or management roles in our Group.

Ms. Zhong has over 17 years of experience in the jewelry industry. She joined our Group in March 2007 as a procurement manager (採購經理) of the predecessor of our Company and had assumed such role from March 2007 to November 2015. Ms. Zhong had worked at Jinyou Diamond Warehouse (Shenzhen) Co., Ltd. (金優鑽庫鑽石(深圳)有限公司) from December 2015 to September 2016. From October 2016 to January 2018, Ms. Zhong had served as a sales manager (銷售經理) of Shenzhen Zhou Liu Fu Jewellery Co., Ltd. (深圳市周六福珠寶有限公司). She has been a sales manager of Shenzhen Zhou Liu Fu and a director (理事) of Shenzhen Zhou Liu Fu Charity Foundation (深圳市周六福慈善基金會) since February 2018.

Ms. Zhong graduated from the University of Electronic Science and Technology of China in the PRC majoring in business administration through online education in January 2024.

### Independent Non-executive Directors

**Mr. LAU Kwok Fan (劉國勳)**, aged 42, was appointed as an independent non-executive Director on April 26, 2024 with effect from the [REDACTED].

Since April 2021, Mr. Lau has been a director of Hong Kong Cyberport Management Company Limited (香港數碼港管理有限公司). Since January 2019, Mr. Lau has been an independent non-executive director of KNT Holdings Limited (嘉藝控股有限公司) (whose shares are listed on the Stock Exchange, stock code: 1025). Since June 2019, Mr. Lau has been an independent non-executive director of China Harmony New Energy Auto Holding Limited (中國和諧新能源汽車控股有限公司) (whose shares are listed on the Stock Exchange, stock code: 3836).

Mr. Lau is currently a member of the Legislative Council of Hong Kong. Mr. Lau has served as a member of the university council of the Chinese University of Hong Kong since November 2016. Mr. Lau is also a member of the Beijing Municipal Committee of the Chinese People’s Political Consultative Conference (the “CPPCC”) and a member of the Jiangmen Committee of the CPPCC.

Mr. Lau obtained a bachelor’s degree in public administration and management from De Montfort University in the United Kingdom in June 2006, and a master’s degree in sociology from the Chinese University of Hong Kong in December 2010. He was appointed as a Justice of the Peace (太平紳士) in July 2021.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. YANG Lan (楊嵐)**, aged 54, was appointed as an independent non-executive Director on April 26, 2024 with effect from the [REDACTED].

Ms. Yang has worked at the Guangdong branch of Lianda Certified Public Accountant (Special General Partnership) (利安達會計師事務所(特殊普通合夥)廣東分所) since February 2023. Ms. Yang had also served as a director of Guangdong Lixin Changjiang Certified Public Accountants Co., Ltd. (廣東立信長江會計師事務所有限公司) (currently known as Guangdong Lixin Jiazhou River Certified Public Accountants Co., Ltd. (廣東立信嘉州會計師事務所有限公司)) from June 2018 to March 2021. From January 2012 to January 2015, Ms. Yang had worked at the Guangdong branch of Tianjian Certified Public Accountants (Special General Partnership) (天健會計師事務所(特殊普通合夥)廣東分所).

From September 2003 to September 2009, Ms. Yang had served as an independent director of Guangdong Highsun Yongye Group Co., Ltd. (廣東海印永業(集團)股份有限公司) (currently known as Guangdong Highsun Group Co., Ltd. (廣東海印集團股份有限公司)) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000861). From June 2002 to May 2008, Ms. Yang had been an independent director of Lihe Co., Ltd. (力合股份有限公司) (currently known as Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司)) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000532). From May 2013 to May 2016, Ms. Yang had been an independent director of Xiangxue Pharmaceutical Co., Ltd. (廣州市香雪製藥股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 300147). From November 2013 to October 2022, she was an independent director of Shenzhen Strongteam Decoration Engineering Co., Ltd. (深圳中天精裝股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 002989). From April 2017 to May 2023, Ms. Yang was an independent director of Huadong Medicine Co., Ltd. (華東醫藥股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000963). She also served as an independent director of Tianjin Baocheng Machinery Manufacturing Incorporated Company (天津寶成機械製造股份有限公司) (whose shares are listed on the National Equities Exchange and Quotations, stock code: 831372) from November 2017 to May 2020. From June 2017 to November 2022, Ms. Yang served as an independent director of Shenzhen China Bicycle Company (Holdings) Limited (深圳中華自行車(集團)股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000017).

Ms. Yang graduated from Nanjing Audit Institute (南京審計學院) (currently known as Nanjing Audit University (南京審計大學)) in the PRC majoring in auditing in July 1990. In May 2000, she graduated from the University of International Business and Economics (北京對外經濟貿易大學) in the PRC majoring in international trade. Ms. Yang obtained a master’s degree in applied accounting and finance (應用會計與金融) from Hong Kong Baptist University in November 2009. Ms. Yang obtained her PRC certified public accountant certificate from the Chinese Institute of Certified Public Accountants in December 1997, PRC certified tax agent certification from Guangdong Certified Tax Agents Association (廣東省註冊稅務師協會) in June 2000, and international certified public accountant certificate from China Business Accounting Institute (中國商業會計學會) and American Association of Chartered Accountants (國際特許會計師協會) in May 2021.

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Mr. **GUO Qiuquan** (郭秋泉), aged 40, was appointed as an independent non-executive Director on April 26, 2024 with effect from the [REDACTED].

Mr. Guo has been an associate researcher (副研究員) at Shenzhen Institute for Advanced study of the University of Electronic Science and Technology of China (電子科技大學(深圳)高等研究院) in the PRC since July 2021. Prior to that, Mr. Guo had worked at the University of Western Ontario in Canada as a postdoc (博士後) from October 2011 to July 2015, and a part-time research associate (助理研究員) from August 2015 to March 2021.

Mr. Guo has been an executive director, manager and financial manager of Dongguan Ant 3D Printing Co., Ltd. (東莞螞蟻三維列印有限公司) since December 2023. Mr. Guo has served as an independent director of Shenzhen China Bicycle Company (Holdings) Limited (深圳中華自行車(集團)股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000017) since November 2022, a general manager of Jiangsu Xinchengrui Material Technology Co., Ltd. (江蘇新澄瑞材料科技有限公司) since October 2019, and the chairman and general manager of Shenzhen Topmembranes Technology Co., Ltd. (深圳拓撲精膜科技有限公司) since August 2015. Mr. Guo also served as a general manager of Nanjing Jusixing Intelligent Technology Co., Ltd. (南京聚思行智能科技有限公司) (formerly known as Nanjing Pinglian Technology Co., Ltd. (南京屏鏈科技有限公司)) from September 2022 to June 2023.

Mr. Guo obtained a bachelor’s degree in engineering mechanics (工程力學) and a master’s degree in physics and electronics (物理電子學) from Beijing Institute of Technology (北京理工大學) in the PRC in July 2005 and July 2007, respectively. He obtained a Ph.D. degree in biomedical engineering science (生物醫學工程) from the University of Western Ontario in Canada in February 2012. Mr. Guo obtained a qualification certificate as an independent director awarded by the Shenzhen Stock Exchange through online training in April 2022. Mr. Guo was recognized as Overseas High-Caliber Personnel (Level C) (海外高層次C類人才) by the Human Resources and Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) in September 2015. He was also recognized as Chinese Dragon Plan Talent (Level C) (龍舞華章計畫C類人才) by the Human Resources Bureau of Shenzhen Longhua District (深圳市龍華區人力資源局) in November 2022.

### **SUPERVISORS**

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing periodic reports prepared by the Board and overseeing the financial and business performance of our Group.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out information in respect of the Supervisors:

Name	Age	Position(s)	Responsibilities	Date of first appointment <sup>(1)</sup>	Date of joining the Group	Relationship with other Directors, Supervisors and senior management
Ms. LIN Liuzhi (林柳芝)	33	Chairperson of the Supervisory Committee	Responsible for overseeing the operations and legal affairs of our Group	November 7, 2018	September 3, 2012	None
Ms. LI Caiping (李彩平)	51	Employee representative Supervisor	Responsible for overseeing the operations and financial activities of our Group	November 7, 2018	July 31, 2006	None
Mr. NI Xuepeng (倪學鵬)	33	Supervisor	Responsible for overseeing the operations and logistical procurement of our Group	November 7, 2018	July 1, 2009	None

*Note:*

- (1) For the avoidance of doubt, the dates of the appointment refer to the appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability in November 2018. For the details of the conversion, see “History, Development and Corporate Structure – Major Shareholding Changes of Our Group – Conversion into a Joint Stock Limited Company in November 2018”.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

**Ms. LIN Liuzhi (林柳芝)**, aged 33, has served as the chairperson of the Supervisory Committee and a manager of the legal document control center of our Company since November 7, 2018. She has also served as a supervisor of Zhou Liu Fu Retail E-Commerce since May 30, 2022, a supervisor of Shenzhen Zhou Liu Fu Jinye Culture Co., Ltd. (深圳市周六福金业文化有限公司) since April 28, 2021 and a supervisor of Zhou Liu Fu E-Commerce since May 18, 2022.

Ms. Lin served as a manager of the legal document control center of the predecessor of our Company from September 2012 to November 2018. Ms. Lin served as a general partner of Meiyu Investment from December 2017 to June 2024.

Ms. Lin graduated from Shantou Polytechnic (汕頭職業技術學院) in the PRC majoring in art education in July 2011.

**Ms. LI Caiping (李彩平)**, aged 51, has served as an employee representative Supervisor since November 7, 2018. Ms. Li joined our Group in July 2006 and successively served as an accountant, finance manager and deputy director of finance. She has also served as the head of finance of Naning Zhou Liu Fu Jewellery Co., Ltd. (南宁周六福珠宝有限公司) since August 24, 2022.

Ms. Li graduated from Hunan University of Finance and Economics (湖南財經學院) (currently known as Hunan University of Finance and Economics) (湖南財政經濟學院) in the PRC majoring in accounting in June 1998, and obtained a bachelor’s degree in accounting from Beijing Normal University (北京師範大學) in the PRC in January, 2019 through online education. Ms. Li was qualified as an intermediate accountant (中級會計師) in May 2006.

**Mr. NI Xuepeng (倪學鵬)**, aged 33, has served as a Supervisor since November 7, 2018. Mr. Ni has also served as a head of the logistics and procurement department of the human administration center at our Company since November 7, 2018. He has also served as a supervisor of Shenzhen Zhenbao Jewellery Precision Manufacturing Co., Ltd. (深圳市臻宝珠宝精密制造有限公司) since December 28, 2020, Shenzhen Zhou Liu Fu Training Co., Ltd. (深圳市周六福培训有限公司) since October 14, 2022, Zhou Liu Fu Brand Management (Chongqing) Co., Ltd. (周六福品牌管理(重庆)有限公司) since February 28, 2023 and Shenzhen Chaoyou Gravity Jewelry Co., Ltd. (深圳市潮有引力珠宝有限公司) since April 10, 2023. Each of the aforementioned entities is a member of our Group.

Mr. Ni had been a member of the logistics and procurement department of the predecessor of our Company from July 2009 to April 2015. From May 2015 to June 2018, he worked for Jinyou Diamond Warehouse (Shenzhen) Co., Ltd. (金優鑽庫鑽石(深圳)有限公司). In July 2018, Mr. Ni rejoined our Group as a head of the logistics and procurement department of the human administration center.

Mr. Ni graduated from Communication University of China (中國傳媒大學) in the PRC majoring in business administration through online education in January 2021.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position(s)	Responsibilities	Date of first appointment <sup>(1)</sup>	Date of joining the Group	Relationship with other Directors, Supervisors and senior management
Mr. LI Weipeng (李偉蓬)	52	Executive Director and vice chairman of the Board  General manager	Responsible for the management of supply chain and back office of our Group	November 7, 2018  April 26, 2024	April 28, 2004	Brother of Mr. LI Weizhu
Mr. XIE Mingyu (謝明育)	44	Executive Director and deputy general manager	Responsible for overseeing the franchise business of our Group	November 7, 2018	February 2, 2008	None
Mr. ZHONG Xipeng (鐘錫鵬)	36	Executive Director  Chief e-commerce officer	Responsible for overseeing the e-commercial business of our Group	April 26, 2024  November 7, 2018	December 6, 2007	Brother of Ms. ZHONG Yingqin and brother-in-law of Mr. LI Weizhu
Mr. WU Yang (吳陽)	42	Deputy general manager and secretary of the Board  Joint company secretary	Responsible for Board related matters, capital markets, and investor relations of our Group	November 7, 2018  June 23, 2024	March 19, 2018	None
Mr. XU Zhili (徐志立)	49	Deputy general manager and chief financial officer	Responsible for financial management of our Group	November 7, 2018	December 28, 2016	None
Mr. LIU Penglong (劉鵬龍)	41	General manager of the brand management center	Responsible for brand publicity and promotion of our Group	November 7, 2018	March 3, 2017	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Responsibilities	Date of first appointment <sup>(1)</sup>	Date of joining the Group	Relationship with other Directors, Supervisors and senior management
Mr. LIAO Shuwen (廖數文)	34	General manager of the self-operated center	Responsible for overseeing offline self-operated stores of our Group	August 19, 2021	July 3, 2012	None
Mr. ZHAO Zhiping (趙治平)	39	Deputy director of product quality control center	Responsible for product quality control and logistics management of our Group	March 1, 2022	December 9, 2013	None

*Note:*

- (1) For the avoidance of doubt, the dates of the appointment refer to the appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability in November 2018. For the details of the conversion, see “History, Development and Corporate Structure – Major Shareholding Changes of Our Group – Conversion into a Joint Stock Limited Company in November 2018”.

**Mr. LI Weipeng (李偉蓬)**, aged 52, is the vice chairman of the Board, an executive Director and general manager of our Company. See “– Directors – Executive Directors” above for his biographical details.

**Mr. XIE Mingyu (謝明育)**, aged 44, is an executive Director and deputy general manager of our Company. See “– Directors – Executive Directors” above for his biographical details.

**Mr. ZHONG Xipeng (鐘錫鵬)**, aged 36, is an executive Director and chief e-commerce officer of our Company. See “– Directors – Executive Directors” above for his biographical details.

**Mr. WU Yang (吳陽)**, aged 42, is a deputy general manager, secretary of the Board and joint company secretary. Mr. Wu served as a director of our Company from November 7, 2018 to April 1, 2019 and from February 19, 2024 to April 26, 2024. Mr. Wu has served as a deputy general manager and secretary of the Board of our Company since November 7, 2018. He was appointed as one of our joint company secretaries on June 23, 2024.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu served as a deputy general manager of the predecessor of our Company from March 2018 to November 2018. Mr. Wu has extensive experience in investment banking. Prior to joining the Group, he worked for Industrial Securities Co., Ltd. (興業證券股份有限公司) (whose shares are listed on the Shanghai Stock Exchange, stock code: 601377) from December 2011 to October 2014. He also worked at Ping An Securities Co., Ltd. (平安證券股份有限公司) from July 2008 to October 2011 and January 2016 to March 2018. Mr. Wu has passed the Professional Competency Assessment for Sponsor Representatives organized by the Securities Association of China (中國證券業協會) in September 2016.

Mr. Wu obtained a master’s degree in applied economics (investment) from Xiamen University (廈門大學) in the PRC in June 2008. Mr. Wu obtained the board secretary qualification certificate awarded by the Shenzhen Stock Exchange in September 2018.

**Mr. XU Zhili (徐志立)**, aged 49, has served as a deputy general manager (副總經理) and chief financial officer (財務總監) since November 7, 2018. Mr. Xu served as a director of our Company from November 7, 2018 to April 1, 2019.

Mr. Xu served as the chief financial officer (財務總監) of the predecessor of our Company from December 2016 to November 2018. Prior to that, Mr. Xu served as the chief financial officer (財務總監) of Sunsea Communication Services Co., Ltd. (日海通信服務有限公司) (formerly known as Guangdong Sunsea Communication Engineering Co., Ltd. (廣東日海通信工程有限公司)) from September 2013 to August 2016. He also served as the chief financial officer (財務總監) of Guangdong Super Telecom Technology Co., Ltd. (廣東超訊通信技術股份有限公司) (currently known as Super Telecom Co., Ltd. (超訊通信股份有限公司)) (whose shares are listed on the Shanghai Stock Exchange, stock code: 603322) from November 2011 to September 2013. Mr. Xu was a co-supervisor of master’s students at Zhongnan University of Economics and Law (中南財經政法大學) from December 2014 to December 2018 and from December 2019 to December 2023.

Mr. Xu graduated from Jinan University (暨南大學) in the PRC majoring in accounting in December 1999, and obtained a master’s degree in business administration (工商管理) from Fudan University (復旦大學) in the PRC in June 2009. Mr. Xu then obtained a doctor’s degree in financial management (財務管理) from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in December 2014. Mr. Xu received his certified public accountant certificate (註冊會計師) in December 2005 and was qualified as a senior accountant (高級會計師) in May 2017.

**Mr. LIU Penglong (劉鵬龍)**, aged 41, has served as the general manager of the brand management center (品牌管理中心總經理) since November 7, 2018.

Mr. Liu served as the general manager of the brand management center (品牌管理中心總經理) of the predecessor of our Company from March 2017 to November 2018. Prior to that, Mr. Liu had worked at Tuli Leather Clothing Trade (Shenzhen) Co., Ltd. (圖麗皮具服飾貿易(深圳)有限公司) from April 2012 to September 2012, and ShenZhen HuiJie Group Co., Ltd. (深圳匯潔集團股份有限公司) (whose shares are listed on Shenzhen Stock Exchange, stock code: 002763) from April 2015 to April 2016. Mr. Liu also served as a supervisor at Shenzhen Medici Culture Communication Co., Ltd. (深圳市美蒂奇文化傳播有限公司) from November 2012 to October 2014. Mr. Liu currently serves as an entrepreneurship mentor for the School of Economics and Management (經濟管理學院創業導師) of Huizhou University (惠州學院) from July 2023.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu obtained a master’s degree in business administration from Buckinghamshire New University in England through online education in April 2020. Mr. Liu won the first prize in the Decorative World Cup – China Decorative and Design Award (飾界杯-中國裝飾藝術設計大賽) in December 2022, which was organized by China Building Decoration Association (中國建築裝飾協會). In August 2022, Mr. Liu was presented with “Brand General Manager of the Year” (年度品牌總經理) by Tiger Roar Award (虎嘯獎). He was also awarded the title of “Excellent People of the Year 2023” (2023年度卓越人物) during the 30th China International Advertising Festival (第30屆中國國際廣告節) in December 2023.

**Mr. LIAO Shuwen (廖數文)**, aged 34, joined our Group in July 2012 and was appointed as the general manager of the self-operated center (直營管理中心總經理) since August 19, 2021. He has been serving as the executive director and general manager of Zhou Liu Fu Jewellery (Chongqing) since March 22, 2021. Mr. Liao had successively served as a manager, deputy director (副總監) and director (總監) of the self-operated center after he joined our Company on July 3, 2012.

Mr. Liao obtained a bachelor’s degree in food science and engineering from South China Agricultural University (華南農業大學) in the PRC in June 2012, and a master’s degree in business administration from the Guanghua School of Management at Peking University (北京大學光華管理學院) in July 2020. Mr. Liao was recognized as Industrial Innovation Leading Talent of Luohu District (羅湖區產業創新領軍人才) by Human Resources Bureau of Shenzhen Luohu District (深圳羅湖區人力資源局) in November 2022.

**Mr. ZHAO Zhiping (趙治平)**, aged 39, joined our Group in December 2013 and was appointed as the deputy director of product quality control center (產品品控中心副總監) since March 1, 2022. Mr. Zhao had successively served in several positions at our Company. He had served as a manager of logistics department (物流部經理) from December 2013 to September 2014, and a senior manager of logistics department (物流部高級經理) from October 2014 to March 2022.

Prior to joining our Group, Mr. Zhao served as the head of product department (商品部主管) of Shenzhen Wolfers Jewelry Co., Ltd (深圳市沃爾弗斯珠寶實業股份有限公司) from June 2008 to July 2011, and served as the head of quality department (品質部主管) of Dawei Jewellery Clock and Watch (Shenzhen) Co., Ltd. (達威珠寶鐘錶(深圳)有限公司) from March 2012 to November 2013.

Mr. Zhao graduated from Hainan Vocational University (海南職業技術學院) in the PRC majoring in jewelry technology and identification (珠寶首飾技術與鑒定) in June 2006. He completed the study of Tsinghua University (Shenzhen) Advanced Training Programme for Outstanding Entrepreneurs and Managers of Small and Medium-sized Enterprises under the Ministry of Industry and Information Technology (工業和信息化部中小企業經營管理領軍人才清華大學(深圳)高級研修班) held by Tsinghua Shenzhen International Graduate School (清華大學深圳國際研究生院) in January 2024. Mr. Zhao was qualified as a senior standardization manager (高級標準化管理師) in October 2020 and gemstone identification professional (寶石鑒定師) in September 2005.

### OTHER INFORMATION

Except as disclosed above, each of our Directors, Supervisors and members of senior management has not been a director of any public company whose securities are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Save as disclosed in the section headed “Relationship with our Controlling Shareholders” in this document, none of our Directors has any interests in any business (apart from our Group's business), which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed above, none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors or members of the senior management.

Save as disclosed above, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters are required to be brought to the attention of Shareholders as of the Latest Practicable Date.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 14, 2024 and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

### JOINT COMPANY SECRETARIES

**Mr. WU Yang (吳陽)**, aged 42, is a deputy general manager and secretary of the Board and was appointed as one of our joint company secretaries on June 23, 2024 with effect from the [REDACTED]. See “– Senior Management” for his biographical details.

**Ms. YUNG Mei Yee (翁美儀)**, aged 58, is one of our joint company secretaries appointed on June 23, 2024 with effect from the [REDACTED]. Ms. Yung is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services. She has extensive experience in handling company secretarial, corporate governance and compliance affairs of listed companies. Ms. Yung is a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since December 1996.

Ms. Yung obtained a bachelor's degree of arts in accountancy from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in November 1993, and a master's degree of arts in language and law from the City University of Hong Kong in November 2000. Ms. Yung also obtained a bachelor's degree of laws from the University of London in the United Kingdom in August 2010.

---

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

---

### **BOARD COMMITTEES**

Our Company has established three Board committees, namely the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

#### **Audit Committee**

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Ms. Yang Lan, Mr. Lau Kwok Fan and Mr. Guo Qiuquan. Ms. Yang Lan, being the chairperson of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but not limited to, the following:

- reviewing and evaluating the work of external auditors and monitoring the independence of external auditors;
- monitoring and making recommendations to internal audit work of our Company;
- reviewing the financial information of our Company and its disclosures, reviewing and making recommendations to the financial reports and statements of our Company;
- evaluating the effectiveness of internal controls;
- ensuring coordination between the management, internal audit department, relevant departments and external auditors; and
- performing other duties and responsibilities as assigned by our Board.

#### **Remuneration and Appraisal Committee**

We have established a Remuneration and Appraisal Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, including one executive Director, Mr. Xie Mingyu, and two independent non-executive Directors, Ms. Yang Lan and Mr. Guo Qiuquan. Mr. Guo Qiuquan serves as the chairperson of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee include, but not limited to, the following:

- formulating remuneration proposals of Directors and members of our senior management in accordance with the job responsibilities, the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies;
- making recommendations to our Board on the establishment of a formal and transparent procedure for developing remuneration policy;
- conducting the evaluation of the annual performance of all Directors and senior management;

---

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

---

- assessing and reviewing compensation payable to all Directors and senior management;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (if any); and
- performing other duties and responsibilities as assigned by our Board.

### **Nomination Committee**

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, including one executive Director, Mr. Li Weizhu, and two independent non-executive Directors, Ms. Yang Lan and Mr. Guo Qiuquan. Mr. Li Weizhu serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing and making recommendations to the Board on the composition and number of our Board and senior management with reference to our Company’s business activities, the scale of assets and shareholding structure;
- assessing and reviewing the independence of independent non-executive Directors;
- identifying individuals suitably qualified to become a member of our Board and senior management and making recommendations to our Board on the selection of individuals nominated for directorships and senior management;
- reviewing the structure and diversity of the Board;
- accessing and making recommendations for the selection of other senior management appointed by our Board; and
- performing other duties and responsibilities as assigned by our Board.

### **BOARD DIVERSITY**

Our Company has adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, our Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service.

---

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

---

The Board currently consists of six male and two female members, with four executive Directors, one non-executive Director and three independent non-executive Directors, of ages ranging from 36 to 54 with diversified backgrounds and experience. We consider that our Board has a balanced mix of skill-set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In recognition of the importance of gender diversity, our Company has taken, and will continue to take steps to promote gender diversity in the Board. Our Company will continue to consider increasing the proportion of female Board members over time when selecting suitable new or additional candidates for appointments to the Board so as to ensure that appropriate gender diversity is achieved.

Upon the [REDACTED], the Nomination Committee will from time to time (i) assess and review expected goals to ensure board diversity and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether our Company has achieved board diversity) in its annual corporate governance report.

### **CORPORATE GOVERNANCE**

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [REDACTED].

### **REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The Directors, Supervisors and senior management members who receive remuneration from our Company are paid in forms of fees, salaries, allowances, benefits in kind, pension scheme contributions and equity-settled share-based payments. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by relevant companies in the same industry and the achievement of major operating indicators of our Company.

The aggregate amount of remuneration paid to the Directors for each of the years ended December 31, 2021, 2022 and 2023 amounted to approximately RMB5.6 million, RMB5.2 million and RMB3.3 million, respectively. The aggregate amount of remuneration paid to the Supervisors for each of the years ended December 31, 2021, 2022 and 2023 amounted to approximately RMB0.8 million, RMB1.1 million and RMB1.0 million, respectively. The aggregate amount of remuneration paid to the five highest paid individuals (including the Directors) for each of the years ended December 31, 2021, 2022 and 2023 amounted to approximately RMB3.9 million, RMB3.9 million and RMB4.0 million, respectively.

Under the arrangement currently in force, our Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors and Supervisors for the year ending December 31, 2024 is approximately RMB3.3 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

During the Track Record Period, no fees were paid by our Company to any of the Directors (or former Directors), Supervisors (or former Supervisors) or the five highest paid individuals as an inducement to join our Company or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Information on the service contracts entered into between our Company and the Directors is set out in “Appendix VI – Statutory and General Information.”

### COMPLIANCE ADVISOR

Our Company has appointed Fosun International Capital Limited as our Compliance Advisor in compliance with Rules 3A.19 of the Listing Rules. The material terms of the Compliance Advisor’s agreement are as follows:

- (i) Fosun International Capital Limited shall act as our Compliance Advisor for the purpose of Rules 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier;
- (ii) the Compliance Advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;
- (iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and
- (iv) the Compliance Advisor will act as one of the key channels of communication of our Company with the Hong Kong Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares and assuming the [REDACTED] is not exercised, the following persons will have interests and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Number and class of Shares held upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(1)</sup>	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup>	Approximate percentage of shareholding in the relevant class of Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup>
Mr. Li Weizhu <sup>(3)(5)(6)</sup>	Interest in controlled corporation, and interest held jointly with other persons	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
		[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
Mr. Li Weipeng <sup>(4)(5)</sup>	Interest in controlled corporation, and interest held jointly with other persons	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
		[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
Ruoshui United <sup>(3)</sup>	Beneficial owner	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
		[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
Shangshan United <sup>(3)</sup>	Beneficial owner	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
		[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
Qiankun United <sup>(4)</sup>	Beneficial owner	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
		[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%

## SUBSTANTIAL SHAREHOLDERS

*Notes:*

- (1) All interests are long positions.
- (2) The calculation is based on the total number of (i) [REDACTED] Unlisted Shares in issue, (ii) [REDACTED] H Shares converted from Unlisted Shares and (iii) [REDACTED] H Shares to be issued under the [REDACTED] immediately following completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is not exercised.
- (3) As of the Latest Practicable Date:
  - (i) Ruoshui United was directly owned as to 60% by Mr. Li Weizhu and 40% by Shenzhen Zhou Liu Fu, which was in turn directly owned as to 100% by Mr. Li Weizhu;
  - (ii) Shangshan United was directly owned as to 70% by Mr. Li Weizhu and 30% by Shenzhen Zhou Liu Fu;
  - (iii) Mr. Li Weizhu was the general partner of Chuangming Investment, which was the beneficial owner of a total of 10,009,537 Unlisted Shares, representing approximately 2.64% of the total issued share capital of our Company. Such [REDACTED] Unlisted Shares would be converted into [REDACTED] H Shares upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, representing approximately [REDACTED]% of the total issued share capital of our Company and approximately [REDACTED]% of the total H Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming that the [REDACTED] is not exercised); and
  - (iv) Mr. Li Weizhu was a limited partner of Shaobo Investment, holding approximately 86.76% of the partnership interests therein. Shaobo Investment was the beneficial owner of a total of 5,445,188 Unlisted Shares, representing approximately 1.44% of the total issued share capital of our Company. Such [REDACTED] Unlisted Shares would be converted into [REDACTED] H Shares upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, representing approximately [REDACTED]% of the total issued share capital of our Company and approximately [REDACTED]% of the total H Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming that the [REDACTED] is not exercised).

By virtue of the SFO, Mr. Li Weizhu is deemed to be interested in the Shares held by Ruoshui United, Shangshan United, Chuangming Investment and Shaobo Investment.
- (4) As of the Latest Practicable date, Qiankun United was directly owned as to 100% by Mr. Li Weipeng. By virtue of the SFO, Mr. Li Weipeng is deemed to be interested in the Shares held by Qiankun United.
- (5) By virtue of the Acting-in-Concert Agreement entered into between Mr. Li Weizhu and Mr. Li Weipeng (further details of which are set out in the section headed “Relationship with Our Controlling Shareholders” in this document), each of Mr. Li Weizhu and Mr. Li Weipeng is deemed to be interested in the Shares held by each other pursuant to the SFO. For further details of the Shares held by Mr. Li Weizhu and Mr. Li Weipeng, please see footnotes (3) and (4) above respectively.
- (6) Ms. Zhong Yingqin, the spouse of Mr. Li Weizhu and our non-executive Director, is deemed to be interested in the Shares held by Mr. Li Weizhu pursuant to the SFO. For further details of the Shares held by Mr. Li Weizhu, please see footnotes (3) and (5) above.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised) and the Conversion of Unlisted Shares into H Shares, have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.



## SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

### BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB378,712,528, comprising 378,712,528 Unlisted Shares of nominal value RMB1.00 each.

### UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares to be converted from Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>[REDACTED]</b>	<b>100.00</b>

Immediately following completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares to be converted from Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>[REDACTED]</b>	<b>100.00</b>

## SHARE CAPITAL

The Conversion of Unlisted Shares into H Shares will involve an aggregate of [REDACTED] Unlisted Shares held by all 11 existing Shareholders, representing approximately [REDACTED]% of the total issued Shares of our Company as of the Latest Practicable Date and approximately [REDACTED]% of the total issued Shares of our Company upon completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised). Set out below are such number of Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised).

**Shares immediately after the Conversion of  
Unlisted Shares into H Shares and the [REDACTED] (assuming  
the [REDACTED] is not exercised)**

Shareholders	Unlisted Shares to be converted to H Shares	Approximate percentage to total issued Shares	Unlisted Shares	Approximate percentage to total issued Shares
Ruoshui United	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Shangshan United	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Qiankun United	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Chuangming Investment	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Shaobo Investment	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Meiyu Investment	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Mingyang Investment	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Xianglong Chuangmei	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Yongcheng No. 15	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Di Ai Jewelry	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
Zhengfu Investment	[REDACTED]	[REDACTED] [REDACTED]%	[REDACTED]	[REDACTED] [REDACTED]%
<b>Total</b>	<u>[REDACTED]</u>	<u>[REDACTED] [REDACTED]%</u>	<u>[REDACTED]</u>	<u>[REDACTED] [REDACTED]%</u>

### OUR SHARES

The H Shares in issue upon completion of the [REDACTED] and the Unlisted Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares.

Our H Shares may only be [REDACTED] for and [REDACTED] in Hong Kong dollars. Our Unlisted Shares, on the other hand, may only be [REDACTED] for and [REDACTED] in Renminbi. Apart from certain qualified domestic institutional [REDACTED] in the PRC, the qualified PRC [REDACTED] under the Shanghai – Hong Kong Stock Connect or the Shenzhen – Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing Shareholders the Unlisted Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be [REDACTED] for by or [REDACTED] between legal or natural persons of the PRC. Our Unlisted Shares, on the other hand, can be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional [REDACTED] and qualified foreign strategic [REDACTED].

---

## SHARE CAPITAL

---

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

### CONVERSION OF UNLISTED SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council, the Unlisted Shares may be converted into overseas-[REDACTED] Shares. Such converted Shares could be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted Shares, any requisite internal approval process has been duly completed, all the filing procedures with relevant PRC regulatory authorities, including the CSRC are followed. In addition, such conversion and [REDACTED] shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of the Unlisted Shares are to be converted, [REDACTED] and [REDACTED] as H Shares on the Hong Kong Stock Exchange, such conversion, [REDACTED] and [REDACTED] will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

### Registration with the CSRC and Full Circulation Application

In accordance with the Trial Measures and related guidelines, H-share [REDACTED] companies which apply for the conversion of unlisted shares into H shares for [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange shall register with the CSRC by filing materials on key compliance issues. An unlisted joint stock company may apply for “full circulation” when applying for an overseas initial public offering.

We [have] filed with the CSRC for, and the CSRC [has] registered the conversion of [REDACTED] Unlisted Shares into H Shares on a [REDACTED] basis upon the completion of the [REDACTED]. The filing and registration procedures in relation to the Conversion of the Unlisted Shares have been completed on [•], 2024 accordingly, and the [REDACTED] and [REDACTED] of the H shares converted on the Hong Kong Stock Exchange is still subject to the approval by the Hong Kong Stock Exchange.

### [REDACTED] by the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of the [REDACTED] of, and permission to [REDACTED] in, (i) our H Shares to be [REDACTED] pursuant to the [REDACTED] (including any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED]) and (ii) the H Shares to be converted from our existing Unlisted Shares.

We will perform the following procedures for the conversion of the relevant Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our [REDACTED] regarding relevant share certificates of the converted H Shares and (2) enabling the converted H Shares to be accepted as [REDACTED] by [REDACTED] for [REDACTED] in the [REDACTED].

## SHARE CAPITAL

---

### RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any listing of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the H Shares to be [REDACTED] by our Company (including the H Shares to be converted from our existing Unlisted Shares) prior to the [REDACTED] will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED]. See “History, Development and Corporate Structure – Pre-[REDACTED] Investments – Overview and Principal terms of the Pre-[REDACTED] Investments”.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of Shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix IV – Summary of the Articles of Association” in this document.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

### **OVERVIEW**

As of the Latest Practicable Date, (i) Mr. Li Weizhu was interested in and entitled to exercise approximately 66.72% of the voting rights in our Company, comprising approximately 36.62%, 27.46% and 2.64% of the total issued share capital of our Company owned by Ruoshui United, Shangshan United and Chuangming Investment, respectively, among which Ruoshui United was owned as to 60% by Mr. Li Weizhu, Shangshan United was owned as to 70% by Mr. Li Weizhu, each of Ruoshui United and Shangshan United was directly owned as to 40% and 30% by Shenzhen Zhou Liu Fu, which was in turn directly wholly-owned by Mr. Li Weizhu, and Mr. Li Weizhu was the general partner of Chuangming Investment; and (ii) Mr. Li Weipeng was interested in and entitled to exercise approximately 26.97% of the voting rights in our Company through Qiankun United, which was directly wholly-owned by Mr. Li Weipeng. Accordingly, Mr. Li Weizhu, Mr. Li Weipeng, Shenzhen Zhou Liu Fu, Ruoshui United, Shangshan United, Qiankun United and Chuangming Investment were in aggregate entitled to exercise approximately 93.70% of the voting rights in our Company as of the Latest Practicable Date and therefore constituted the Controlling Shareholders Group. See “History, Development and Corporate Structure – Our Shareholding Structure Immediately Prior to the Completion of the [REDACTED]” for further details.

To formalize the concert parties relationship, on June 1, 2024, Mr. Li Weizhu and Mr. Li Weipeng entered into the Acting-in-Concert Agreement, pursuant to which Mr. Li Weizhu and Mr. Li Weipeng agreed and confirmed, among other things, that they (together with their respective wholly-owned companies and the relevant shareholding platforms) had been acting in concert to vote at the general meetings of our Company and meetings of our Board with each other since January 1, 2021 and would continue to act in the same manner until the date on which either party no longer holds, directly or indirectly, any Shares of our Company unless otherwise agreed upon by both parties through negotiation with good faith.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders Group will be able to exercise in aggregate approximately [REDACTED]% of the voting rights in our Company and will therefore continue to constitute the Controlling Shareholders Group. See “History, Development and Corporate Structure – Our Shareholding Structure Immediately Following the Completion of the [REDACTED]” for further details.

### **DELINEATION OF BUSINESSES**

We are a leading and fast growing jewelry company in China. Leveraging our comprehensive network of retail stores and sales model through both online and offline channels, we provide end customers with diverse portfolio of high-quality jewelry products, which primarily include gold jewelry and diamond-set jewelry.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

As of the Latest Practicable Date, apart from the business of our Group, Mr. Li Weizhu (one of our Controlling Shareholders and an executive Director), through Shenzhen Zhou Liu Fu (a company wholly-owned by Mr. Li Weizhu and a Controlling Shareholder), indirectly held 20% equity interest in Guangdong Xingguangda Cultural Investment Co., Ltd. (廣東星光達文化投資有限公司) (“**Guangdong Xingguangda**”), which in turn wholly owned Zhongshan Xingguangda Jewellery Co., Ltd. (中山星光達珠寶有限公司) (“**Zhongshan Xingguangda**”, together with Guangdong Xingguangda, the “**Relevant Companies**”). Guangdong Xingguangda is an investment holding company, and Zhongshan Xingguangda is principally engaged in development and construction of industrial parks. For the years ended December 31, 2021, 2022 and 2023, Zhongshan Xingguangda recorded revenue amounting to RMB544,146,245.91, RMB174,351,127.26 and nil, respectively.

We believe that there is neither any substantial competition (direct or indirect) between the business of our Group and the principal businesses of the Relevant Companies (collectively, the “**Relevant Businesses**”), nor any material conflict of interest arising from Mr. Li Weizhu’s indirect interest in the Relevant Companies for the following reasons:

- (a) **The principal businesses of the Relevant Companies are different from our business, and Zhongshan Xingguangda has ceased to engage in the business of sales of gold-related products**

The principal business of our Group primarily focuses on jewelry research and development, design, production and processing, chain sales and the operation of our brand “Zhou Liu Fu”. Meanwhile, Guangdong Xingguangda is an investment holding company, and Zhongshan Xingguangda was established to primarily focus on the development and construction of industrial parks for gold and jewelry industry. On March 10, 2020, Guangdong Xingguangda entered into an investment agreement with, among others, Zhongshan Torch Development Zone Linhai Industrial Park Development Co., Ltd. (中山火炬開發區臨海工業園開發有限公司), Zhongshan Torch High-tech Industrial Development Zone Industrial Development Co., Ltd. (中山火炬高技術產業開發區工業開發有限公司) and Shenzhen Xingguangda Jewellery Industrial Co., Ltd. (深圳市星光達珠寶首飾實業有限公司), regarding the development of an industrial park for gold and jewelry industry in Zhongshan, Guangdong province, pursuant to which Zhongshan Xingguangda was designated as the project company for such development and construction.

During the period between January 2020 and October 2022, as the abovementioned industrial park development project to be developed by Zhongshan Xingguangda was still in the phase of early development and was yet to generate any revenue, Zhongshan Xingguangda had engaged in the business of investment in gold bars and the sales of gold bars and gold ornaments in order to achieve certain revenue target as agreed with the relevant government authority. Zhongshan Xingguangda has ceased to engage in the business of sales of gold bars, gold ornaments and gold watches since October 2022, and was not engaged in any other businesses which compete or may potentially compete with our Group’s business as of the Latest Practicable Date.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

### **(b) Independent management and operations**

The Relevant Companies and our Group are operated and managed independently. None of the Directors or senior management members of our Company is a director or a member of the senior management of the Relevant Companies. Mr. Li Weizhu indirectly holds a minority interest in the Relevant Companies and does not hold any directorships or senior management positions in the Relevant Companies. Further, to our best knowledge, the procurement and customer access of Zhongshan Xingguangda and our Group had been independent from each other during the Track Record Period and up to the Latest Practicable Date.

### **(c) Non-Competition Undertaking for the Relevant Companies**

To ensure that competition will not develop between the Relevant Companies (on the one hand) and our Group (on the other hand) in the future, on November 17, 2022, Mr. Li Weizhu provided an undertaking to our Company, pursuant to which he has irrevocably undertaken that he would not, by any means, seek to become the largest shareholder or ultimate beneficial owner of, or to obtain the actual control of, Guangdong Xingguangda, the sole shareholder of Zhongshan Xingguangda.

In addition, Mr. Li Weizhu, Mr. Li Weipeng, Ruoshui United, Qiankun United and Shangshan United have also provided certain non-competition undertakings in favor of our Group, the details of which are described in “– Non-competition Undertakings” below.

For the reasons stated above, we believe that there is neither any substantial competition (direct or indirect) between the business of our Group and the Relevant Businesses, nor any material conflict of interest arising from Mr. Li Weizhu’s interest in the Relevant Companies.

Save as disclosed above, as of the Latest Practicable Date, none of the members of the Controlling Shareholders Group, our Directors or their respective close associates was interested in any business, other than our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

### **NON-COMPETITION UNDERTAKINGS**

On February 27, 2023, Mr. Li Weizhu, Mr. Li Weipeng, Ruoshui United, Qiankun United and Shangshan United entered into a letter of non-competition undertakings in favour of our Company (the “**Non-competition Undertakings**”), pursuant to which each of them has undertaken that during the term of the Non-competition Undertakings:

- (i) he/it, has not and shall not, control any business activity, directly or indirectly, which competes with the current and future business engaged by our Company and does not possess the control over any enterprise or economic entity which competes with the business with our Company;

---

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

---

- (ii) for other enterprise or economy entity directly or indirectly controlled by him/it, he/it undertakes that such enterprise or economic entity will not engage in competing business with our Company. He/it agrees to transfer the equity interest or assets of enterprise or economy entity which engages in competing business with our Company to our Company, or adopt any proposals agreeable by relevant regulatory authorities, to eliminate the business competition with our Company;
- (iii) if any business opportunity obtained from a third party will or may compete with the business engaged by our Company, he/it will notify our Company immediately, and undertakes to adopt any proposals agreeable by relevant regulatory authorities in order to eliminate the business competition with our Company; and
- (iv) he/it guarantees the truthfulness of above-mentioned undertakings, will fulfil such undertakings faithfully, and will assume full responsibility over any economic loss of our Company incurred by any breach of such undertakings.

### **INDEPENDENCE OF THE GROUP FROM OUR CONTROLLING SHAREHOLDERS**

Taking into consideration the following factors, our Directors believe that we are capable of carrying on our business independently from members of the Controlling Shareholders Group and their respective close associates after the [REDACTED].

#### **Operational Independence**

Our Group operates independently from members of the Controlling Shareholders Group and their respective close associates.

Our Group has a full-time management team and team of staff to carry out its operation and administration independently from the Controlling Shareholders Group. We have established a complete organizational structure, comprising various separate departments each charged with specific responsibilities. The support functions comprising accounting, administration, product development, compliance and human resource management will also continue to be handled by a team of staff employed directly by us and are separated from the Controlling Shareholders Group. We have also established a set of internal control procedures and adopted corporate governance measures to facilitate the independent and effective operation of our business. For details, please refer to “– Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that our Group is able to operate independently from members of the Controlling Shareholders Group and their respective close associates.



## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

### **Financial Independence**

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on members of our Controlling Shareholders Group or their respective close associates for financing after the [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [REDACTED] from the [REDACTED].

All material amounts due from or due to members of our Controlling Shareholders Group not arising out of our ordinary course of business will be fully settled before [REDACTED], and all share pledges and guarantees provided by members of our Controlling Shareholders Group and/or their respective close associates on our Group’s borrowings will be fully released upon [REDACTED]. As of the Latest Practicable Date, there were no outstanding loans provided by members of the Controlling Shareholders Group or their respective close associates to our Group.

Based on the above, our Directors are satisfied that from a financial perspective, we are capable of carrying on our business independently from members of the Controlling Shareholders Group and their respective close associates after the [REDACTED].

### **Management Independence**

Upon [REDACTED], our Board will consist of eight Directors comprising four executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Li Weizhu, our executive Director and chairman of our Board and Mr. Li Weipeng, our executive Director, vice chairman of our Board and general manager of our Company, are also members of the Controlling Shareholders Group. For more information, see the section headed “Directors, Supervisors and Senior Management” in this document.

Our management and operational decisions are made by our Board of Directors and senior management collectively, most of whom have served our Group for a significant period of time and have substantial and extensive relevant industry experience and expertise. Other than Mr. Li Weizhu and Mr. Li Weipeng, none of the Directors or members of the senior management of our Company holds any directorships and/or other senior management roles in any companies owned or controlled by members of the Controlling Shareholders Group and their respective close associates. Ms. Zhong Yingqin, our non-executive Director who is not involved in our daily management and the spouse of Mr. Li Weizhu, is currently a sales manager of Shenzhen Zhou Li Fu (a Controlling Shareholder) but is not considered a senior management member thereof.

Our Directors are of the view that our Board and the senior management members are able to function independently from members of the Controlling Shareholders Group and their respective close associates for the following reasons:

- (a) each of the Directors is aware of his/her fiduciary duties which, among other things, require them to act in the best interest of our Company and the Shareholders as a whole;

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management team, please refer to the section headed “Directors, Supervisors and Senior Management”;
- (c) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associates, he/she shall abstain from voting and shall not be counted towards the quorum; and
- (e) we have adopted a series of corporate governance measures to manage conflict of interest, if any, between our Group and the Controlling Shareholders Group which would support our independent management. For details, see “– Corporate Governance” in this section.

Based on the above, our Directors are satisfied that our Board as a whole and together with our senior management members are able to perform their respective managerial role in our Group independently from members of the Controlling Shareholders Group and their respective close associates after the [REDACTED].

### **CORPORATE GOVERNANCE MEASURES**

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

In order to further safeguard the interest of our Shareholders, we would adopt the following corporate governance measures to manage any potential conflict of interest with members of the Controlling Shareholders Group and their respective close associates:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which members of the Controlling Shareholders Group or any of their respective associates has a material interest, the members of the Controlling Shareholders Group will not vote on the resolutions and shall not be counted towards the quorum;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest and nor shall such Director be counted in the quorum present at the relevant Board meeting;

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with members of the Controlling Shareholders Group or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;
- (d) our Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Our Company has appointed three independent non-executive Directors and believes that the independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and (iii) will be able to provide an impartial and external opinion to protect the interest of our Shareholders as a whole. For details of the independent non-executive Directors, see “Directors, Supervisors and Senior Management”;
- (e) where our Directors reasonably request for the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (f) our Company has appointed Fosun International Capital Limited as our Compliance Advisor, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflict of interest, and to protect minority Shareholders’ interests after the [REDACTED].

---

## FINANCIAL INFORMATION

---

*You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants’ Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.*

### OVERVIEW

We are a leading and fast growing jewelry company in China, offering a diverse portfolio of high-quality products through our offline stores and online sales channels. We have established a widespread network of retail stores across China. As of December 31, 2023, our offline sales network had a total of 4,383 stores (including both franchise stores and self-operated stores), spanning 31 provinces and 301 prefecture-level cities and divisions. According to Frost & Sullivan, as of December 31, 2023, we ranked (i) fourth in terms of number of stores in China among Chinese jewelry brands; and (ii) third in terms of number of offline stores in the southern area of China, where our business started, among Chinese jewelry brands.

We have actively expanded our online sales channels, achieving notable success. From 2021 to 2023, we recorded a CAGR in online sales revenue of 53.7%, with online sales revenue accounting for 33.9% of our total revenue in 2023. According to Frost & Sullivan, in terms of both figures, we ranked first among jewelry companies with nationwide operations in China.

Throughout our development path, we have navigated through multiple industrial and economic cycles, which attests to the resilience of our business model. Our products have been a part of important moments of our end consumers’ lives, and their support has contributed to our steady growth and improvement. We expect to see our “Zhou Liu Fu” brand continue to rejuvenate and achieve sustained growth.

---

## FINANCIAL INFORMATION

---

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, which primarily include the following:

#### **Maintaining an Attractive Brand Image**

We consider our “Zhou Liu Fu” brand to be one of our most important assets to our long-term success. We believe that our brand image is an important factor affecting end consumers’ decisions regarding whether to shop in our franchise stores, self-operated stores or online sales channels. The strength of our brand is underpinned in part by our reputation for providing high-quality value-for-money jewelry with various product designs that cater to a wide range of end consumers, complemented by consistent customer service across all of our sales network.

According to the Frost & Sullivan, high brand awareness typically translates to consumer’ confidence in product quality and related services, especially for jewelry brands. Strong brand images, developed through long-term investment and constituting a high entry barrier, generally creates positive recognition from end consumers, and will in turn attract more end consumers. As a result, we believe that our brand image is critical to our consumer acquisition and retention, and our ability to continuously enhance recognition of our brands may impact our consumer base, our selling price, our market share and our results of operations.

#### **Expansion of Our Sales Network**

Our sales network includes our franchise stores, our self-operated stores and our online sales channels. In 2021, 2022, and 2023, revenue generated from our franchise model contributed 59.9%, 52.9% and 55.4% of our revenue, respectively, our self-operated stores contributed 12.3%, 11.7% and 9.5% of our revenue, respectively, and our online sales channels contributed 26.6%, 34.6% and 33.9% of our revenue, respectively.

Our revenue is affected by the scale of our sales network and our future revenue growth depends on our ability to (i) attract more franchisees to join our sales network and open new franchise stores, (ii) open more self-operated stores and (iii) expand our online sales channels, thereby expanding the coverage of our sales network.

We have maintained a strong online presence through our online sales channels including our self-operated e-commerce stores and sales to e-commerce platforms. We adopt a differentiated product offering strategy for our online sales channels to cater to the distinct needs and purchasing behavior of online end consumers.

#### **Consumer Demand in China**

According to Frost & Sullivan, China’s economy has witnessed significant growth over the past decades and the annual disposable income per capita in China rose from RMB28,228 in 2018 to RMB39,218 in 2023, with a CAGR of 6.8%. During the same period, according to Frost & Sullivan, the consumption structure of Chinese people has also evolved, showing a continuous increase of expenditure on jewelry products. The sales revenue of China jewelry market increased from RMB580 billion in 2018 to RMB820 billion in 2023, representing a CAGR of 7.2%.

## FINANCIAL INFORMATION

Gold jewelry was the primary category of our product offerings during the Track Record Period. According to Frost & Sullivan, the overall gold jewelry market sales in China witnessed steady growth from 2018 to 2023. The market size of gold jewelry in China grew at a CAGR of 11.0% from RMB308.0 billion in 2018 to RMB518.0 billion in 2023.

The following table sets forth the proportion of our revenue by major sales channels and products and services for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	(%)	(%)	(%)
<b>Franchise Model</b>	<b>59.9</b>	<b>52.9</b>	<b>55.4</b>
<b>Sales of Products</b>	<b>38.6</b>	<b>27.2</b>	<b>39.2</b>
(i) Gold jewelry <sup>(1)</sup>	13.5	13.8	32.4
(ii) Diamond-set jewelry and others <sup>(2)</sup>	25.1	13.4	6.8
<b>Service fees</b>	21.3	25.7	16.2
<b>Self-operated Stores</b>	<b>12.3</b>	<b>11.7</b>	<b>9.5</b>
(i) Gold jewelry <sup>(1)</sup>	10.7	10.3	8.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	1.7	1.4	0.7
<b>Online Sales Channels</b>	<b>26.6</b>	<b>34.6</b>	<b>33.9</b>
(i) Gold jewelry <sup>(1)</sup>	21.0	29.3	30.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	5.6	5.3	3.7

*Notes:*

- (1) Gold Jewelry primarily includes pure gold jewelry, K gold jewelry and platinum jewelry.
- (2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.

From 2021 to 2022, and further to 2023, the proportion of our revenue from sales of gold jewelry to our franchise stores and through our online sales channels increased, while the proportion of our revenue from sales of diamond-set jewelry and others across all sales channels decreased during the same periods.

In general, the increasing market demand for gold jewelry as well as our strategic focus of developing and promoting the sales of gold jewelry have been the primary reason for the increase in the revenue generated from our sales of gold jewelry across various sales channels during the Track Record Period. Conversely, the decreasing market demand for diamond-set jewelry and others has been the primary reason that resulted in the decrease in the revenue from sales of these products during the Track Record Period.

Our ability to align our product offerings with the market trend and our business development strategies has been a cornerstone of our growth. We believe that our product offerings developed through our strategic business decisions allows us to respond to changing market conditions and consumer preferences quickly.

## FINANCIAL INFORMATION

### Product and Service Offering Mix

Our gross profit margins are affected by the mix of products and services we offer. Our product offerings primarily include gold jewelry and diamond-set jewelry. Our service offerings primarily include franchise service and product admission service.

The table below sets forth a breakdown of our gross profit margin by major sales channels and products and services for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>Gross Margin</i>	<i>Gross Margin</i>	<i>Gross Margin</i>
	( <i>%</i> )	( <i>%</i> )	( <i>%</i> )
<b>Franchise Model</b>	<b>40.8</b>	<b>51.8</b>	<b>32.0</b>
<i>Sales of products</i>	<b>11.7</b>	<b>9.6</b>	<b>5.8</b>
(i) Gold jewelry <sup>(1)</sup>	1.5	3.2	3.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	17.3	16.2	15.0
<i>Service fees</i>	93.5	96.3	95.8
<b>Self-operated Stores</b>	<b>26.1</b>	<b>27.7</b>	<b>26.8</b>
(i) Gold jewelry <sup>(1)</sup>	21.6	23.8	25.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	55.4	57.5	47.4
<b>Online Sales Channels</b>	<b>27.0</b>	<b>22.9</b>	<b>17.3</b>
(i) Gold jewelry <sup>(1)</sup>	22.6	19.5	15.1
(ii) Diamond-set jewelry and others <sup>(2)</sup>	43.4	41.3	36.0

*Notes:*

(1) Gold Jewelry primarily includes pure gold jewelry, K gold jewelry and platinum jewelry.

(2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.

During the Track Record Period, the gross profit margin of our sales of diamond-set jewelry and others was generally higher than that of our gold jewelry. The increasing proportion of our sales of gold jewelry, which have a relatively lower gross profit margin, across our various sales channels may lead to a decrease in the overall gross profit margin of our product sales.

---

## FINANCIAL INFORMATION

---

In terms of products sold through our sale channels, the gross profit margin from sales of products to franchise stores was generally lower than from our self-operated stores and through our online sales channels. The gross profit margin from our sales of products to our franchise stores was 11.7%, 9.6%, and 5.8% in 2021, 2022, and 2023, respectively, while the gross profit margin from our sales of products at our self-operated stores was 26.1%, 27.7% and 26.8%, respectively, and the gross profit margin from our sales of products through our online sales channels was 27.0%, 22.9% and 17.3%, respectively, during the same periods.

Due to the high profit margin of our services to our franchise stores, the overall profit margin from our franchise model was higher than that of our self-operated stores and online sales channels. During the Track Record Period, the gross profit margin from our franchise model was 40.8%, 51.8% and 32.0% in 2021, 2022 and 2023, respectively, which is generally higher than the gross profit margins for self-operated stores and online sales channels.

### **Cost of Raw Materials**

Our results of operations have been, and will continue to be, affected by our ability to control cost of sales. Cost of raw materials was the most significant component of our cost of sales during the Track Record Period, amounting to RMB1,354.2 million, RMB1,500.4 million and RMB3,371.4 million, respectively, accounting for approximately 74.9%, 78.9% and 88.8% of our total cost of sales in 2021, 2022 and 2023, respectively.

We use various raw materials for the production of our jewelry products, among which gold is our primary raw material. We procure our gold raw materials primarily through the cooperation with members of the Shanghai Gold Exchange. Our procurement of gold raw materials amounted to RMB1,272.3 million, RMB1,660.4 million and RMB3,537.8 million in 2021, 2022 and 2023, respectively, accounting for 84.5%, 89.7% and 96.9% of our raw material procurement for the same periods, respectively. In 2021, 2022 and 2023, our average gold procurement price was RMB332.0/g, RMB347.6/g and RMB401.0/g (exclusive of value-added tax), which was generally in line with the market prevailing prices. Given the importance of gold in our production processes, fluctuations in gold prices directly affect the cost structure and also the selling prices of our products and, consequently, our results of operations. According to Frost & Sullivan, the average annual spot price (inclusive of value-added tax) for Au9999 in China experienced an increase from RMB271.1/g in 2018 to RMB449.9/g in 2023 due to several factors, including the volatility in the global political and economic conditions and the strong demand for gold jewelry.

During the Track Record Period, the market price of gold generally trended upward. Our selling prices for gold jewelry are typically determined based on the prevailing market price of gold at sale, plus a fixed crafting fee, and our procurement prices for gold raw material are typically determined based on the prevailing market price of gold at procurement. Consequently, changes in gold prices directly impact our gross profit margin for gold jewelry.



---

## FINANCIAL INFORMATION

---

When the gold price shows an increasing trend, both our gold selling prices and gold procurement prices increase. The effect on our gold jewelry gross profit margin is affected by the relative magnitude of these price increases. If the selling price increases more than the procurement price does, the gross profit margin may increase, decrease or remain stable. On the other hand, if the procurement price increase matches or exceeds the selling price increase, the gross profit margin tends to decrease. A decreasing trend in gold price, on the other hand, will have an adverse impact on the gross profit margin of our gold jewelry products.

The price of our raw materials generally fluctuates according to economic and market conditions. We have not entered into any hedging activities in relation to their prices. However, we monitor the supply and cost trends of these raw materials and have sought to mitigate the impact of price fluctuations. We formulate regular procurement plans in line with our operational needs and market conditions so that we can mitigate the risks associated with price fluctuation of gold raw materials.

Maintaining optimal inventory levels is critical to the success of our business. Provisions for impairment of inventory will lead to the increased costs of sales and consequently the decreased gross profit margin.

### Competition

According to Frost & Sullivan, the gold jewelry market in China is concentrated. Market share by the five largest jewelry companies in terms of number of offline stores in China increased from 31.6% in 2018 to 37.7% in 2023. Brand loyalty in the gold jewelry industry is a key factor, with end consumers often favoring established brands they perceive as reliable and of high-quality. Developing a strong brand in this industry requires substantial investment in marketing, customer service and the consistent delivery of high-quality products.

### Ceremonial and Festival Events

Our sales performance is influenced by ceremonial and festival events such as Mid-Autumn Festival, Chinese New Year, PRC National Day holiday, Valentine’s Day, Qixi Festival and other national holidays, which are typically associated with the Chinese tradition of gift-giving. Furthermore, some shopping festivals set by some third-party online shopping platforms, such as 618 Shopping Festival (618購物節), Double 11 Shopping Festival (雙十一購物節) and Double 12 Shopping Festival (雙十二購物節), have boosted higher sales of our products. As a result, these events have historically generated heightened consumer purchasing activities, leading to increases in our sales volumes. Our business is otherwise not sensitive to seasonal fluctuations.

As a result, the variability in our sales related to these ceremonial and festival events may cause our business, financial performance and results of operations to fluctuate from period to period, and the 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 overall performance.

---

## FINANCIAL INFORMATION

---

### BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretation approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and through other comprehensive income which have been measured at fair value.

### MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. When reviewing our financial information, you should consider: (i) our selection of accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We believe that the (i) material accounting information in relation to the recognition of revenue from contracts with customers (including revenue recognition from sales of products, provision of franchise and related services and maintenance and repair services), inventories, cash and cash equivalents, property, plant and equipment and depreciation, as detailed in Note 2.3 of the Accountants’ Report in Appendix I to this document and (ii) accounting judgments and estimates including identification of a customer and gross versus net revenue recognition, provision for expected credit losses on trade receivables, net realizable value of inventories, impairment of long-term non-financial assets (other than goodwill), share-based payment, deferred tax assets and leases, as detailed in Note 3 to the Accountants’ Report in the Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

### PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### Revenue

Our revenue was derived primarily from:

- (i) The franchise model, which includes:
  - (a) Our sales of products to our franchise stores.

---

## FINANCIAL INFORMATION

---

(b) Service fees, which includes:

- Franchise service fee from our franchisees: We allow franchisees to use the “Zhou Liu Fu” brand and trademark and open franchise stores. In exchange for these rights and relevant services, we charge a fixed-amount annual fee per franchise store.
- Product admission fee from our franchisees: We provide franchisees the access to a group of high-quality authorized suppliers to procure products and sell these products under our “Zhou Liu Fu” brand. In exchange for these rights and relevant services, we charge a fixed-amount annual fee per franchise store. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.
- Other services fees, which primarily include:
  - Supply chain management fee from our authorized suppliers: We allow authorized suppliers to provide products to franchisees under our “Zhou Liu Fu” brand. In exchange for this right, we charge a fee which is generally calculated based on a pre-set price per gram of the jewelry or a pre-set percentage of the cost of the jewelry.
  - Decoration management fee from decoration service providers: We allow decoration service providers to provide services to franchisees in order to implement the standardized store design and visual identity system. In exchange for this right, we charge a fee.
  - Performance guarantee fee charged from our franchisees in relation to diamond-set jewelry products, mainly in 2021. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.

(ii) The sales of products at our self-operated stores.

(iii) The sales of products through our online sales channels.

### Cost of sales

Our cost of sales primarily comprise (i) material costs, (ii) finished product costs, (iii) outsourced production costs. We ceased production at our own factory in April 2022.

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

---

## FINANCIAL INFORMATION

---

### Other Income and Gains

Our other income and gains mainly include (i) government grants, which primarily reflect government financial support and incentives, (ii) interest income from bank deposits, (iii) investment income from wealth investment products and (iv) other non-operating gains, such as compensation for breach of contract (primarily including compensation for breach by franchisees) and compensation for litigation.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise (i) staff costs, which primarily include salaries, bonuses and welfare paid to our sales and marketing staff, (ii) promotion and advertising expenses, (iii) low-value consumables, (iv) selling and marketing service fees, which include commission paid to shopping malls under the concession agreements, (v) e-commerce platforms service fee, which mainly reflect our e-commerce related expenses incurred in connection with the development of our online sales, (vi) leased property expenses, (vii) depreciation and amortization expense, which primarily relates to the rental fee and decoration of our self-operated stores, and the office of our sales and marketing staff, (viii) vehicle and travelling expenses and (ix) jewelry inspection fees.

### Administrative Expenses

Our administrative expenses mainly comprise (i) staff costs, which primarily include the salaries, bonus and welfare such as employee education, social insurance and provident funds, (ii) professional service fees, which include our legal fees and [REDACTED]-related consultation fee, (iii) depreciation and amortization, which primarily include the depreciation of our operational infrastructure, (iv) business entertainment expenses, (v) share-based payment expense, (vi) leased property expenses and (vii) decoration expenses.

### Research and Development Expenses

Our research and development expenses mainly comprise (i) staff costs, which primarily include wages, salaries and social insurance premium of our in-house design and development team, (ii) depreciation and amortization and (iii) outsourced service fee.

### Other Expenses, Net

Our other expenses, net mainly comprise (i) impairment losses for trade receivables and other receivables and (ii) public welfare donations.

### Finance Costs

Our finance costs mainly comprise (i) interest on bank loans and (ii) interest on lease liabilities.

### Income Tax Expense

Our income tax expense primarily comprises income tax payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled.

## FINANCIAL INFORMATION

As of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

### REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the years presented, both in absolute amount and as a percentage of our total revenue. This information should be read together with our consolidated financial statements and related notes in this document:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
<b>REVENUE</b>	<b>2,783,056</b>	<b>100.0</b>	<b>3,101,690</b>	<b>100.0</b>	<b>5,149,601</b>	<b>100.0</b>
Cost of sales	(1,808,493)	(65.0)	(1,901,602)	(61.3)	(3,798,706)	(73.8)
<b>Gross profit</b>	<b>974,563</b>	<b>35.0</b>	<b>1,200,088</b>	<b>38.7</b>	<b>1,350,895</b>	<b>26.2</b>
Other income and gains	29,089	1.0	55,262	1.8	52,619	1.0
Selling and marketing expenses	(325,983)	(11.7)	(394,315)	(12.7)	(469,552)	(9.1)
Administrative expenses	(99,270)	(3.6)	(98,256)	(3.2)	(92,439)	(1.8)
Research and development expenses	(9,844)	(0.4)	(9,462)	(0.3)	(9,935)	(0.2)
Other expenses, net	(9,966)	(0.4)	(8,179)	(0.3)	3,289	0.1
Finance costs	(1,476)	(0.1)	(2,144)	(0.1)	(2,446)	(0.0)
<b>PROFIT BEFORE TAX</b>	<b>557,113</b>	<b>20.0</b>	<b>742,994</b>	<b>24.0</b>	<b>832,431</b>	<b>16.2</b>
Income tax expense	(131,716)	(4.7)	(167,753)	(5.4)	(172,737)	(3.4)
<b>PROFIT FOR THE YEAR</b>	<b>425,397</b>	<b>15.3</b>	<b>575,241</b>	<b>18.5</b>	<b>659,694</b>	<b>12.8</b>
OTHER COMPREHENSIVE INCOME	—	—	(3)	(0.0)	129	0.0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>425,397</b>	<b>15.3</b>	<b>575,238</b>	<b>18.5</b>	<b>659,823</b>	<b>12.8</b>

## FINANCIAL INFORMATION

### Revenue

The following table sets forth a breakdown of our revenue by sales channels and products and services, in absolute amount and as a percentage of our total revenue, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
<b>Franchise Model</b>	<b>1,667,464</b>	<b>59.9</b>	<b>1,641,056</b>	<b>52.9</b>	<b>2,852,830</b>	<b>55.4</b>
<i>Sales of products</i>	<b>1,075,241</b>	<b>38.6</b>	<b>843,234</b>	<b>27.2</b>	<b>2,020,325</b>	<b>39.2</b>
(i) Gold jewelry <sup>(1)</sup>	376,984	13.5	427,697	13.8	1,669,334	32.4
(ii) Diamond-set jewelry and others <sup>(2)</sup>	698,257	25.1	415,537	13.4	350,991	6.8
<i>Service fees</i>	<b>592,223</b>	<b>21.3</b>	<b>797,822</b>	<b>25.7</b>	<b>832,505</b>	<b>16.2</b>
(i) Franchise service fee	75,904	2.7	78,102	2.5	78,539	1.5
(ii) Product admission fee	398,020	14.3	627,150	20.2	631,655	12.3
(iii) Other service fees <sup>(3)</sup>	118,299	4.3	92,570	3.0	122,311	2.4
<b>Self-operated Stores</b>	<b>343,451</b>	<b>12.3</b>	<b>362,296</b>	<b>11.7</b>	<b>487,016</b>	<b>9.5</b>
(i) Gold jewelry <sup>(1)</sup>	297,213	10.7	319,380	10.3	450,677	8.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	46,238	1.7	42,916	1.4	36,339	0.7
<b>Online Sales Channels</b>	<b>739,111</b>	<b>26.6</b>	<b>1,072,127</b>	<b>34.6</b>	<b>1,745,817</b>	<b>33.9</b>
(i) Gold jewelry <sup>(1)</sup>	583,377	21.0	908,903	29.3	1,555,960	30.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	155,734	5.6	163,224	5.3	189,857	3.7
<b>Others<sup>(4)</sup></b>	<b>33,030</b>	<b>1.2</b>	<b>26,211</b>	<b>0.8</b>	<b>63,938</b>	<b>1.2</b>
<b>Total</b>	<b><u>2,783,056</u></b>	<b><u>100.0</u></b>	<b><u>3,101,690</u></b>	<b><u>100.0</u></b>	<b><u>5,149,601</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Gold Jewelry primarily includes pure gold jewelry, K gold jewelry and platinum jewelry.
- (2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.
- (3) Other service fees primarily include supply chain management fees charged from our authorized suppliers, decoration management fees charged from decoration service providers and performance guarantee fee charged from our franchisees, mainly in 2021.
- (4) Others primarily include wholesales and certain customized orders.

---

## FINANCIAL INFORMATION

---

*Comparison between 2023 and 2022:* Our revenue increased from RMB3,101.7 million in 2022 to RMB5,149.6 million in 2023, mainly due to (i) an increase in revenue generated from sales of gold jewelry through all of our sales channels, especially our franchise model and online sales channels in 2023, as a result of the strong market demand for gold products and our development of new gold jewelry products, catering to young end consumers’ needs and (ii) the steady expansion of our franchise network from 3,974 franchise stores as of December 31, 2022 to 4,288 franchise stores as of December 31, 2023.

*Comparison between 2022 and 2021:* Our revenue increased from RMB2,783.1 million in 2021 to RMB3,101.7 million in 2022, primarily attributable to an increase in revenue from sales of gold jewelry in 2022, as a result of (i) our expansion in online sales channels and (ii) our strategic focus on developing, and promoting the sales of, gold jewelry products since 2021.

### ***Revenue from Franchise Model***

A large portion of our revenue was generated from our franchise model, including the sales of products to our franchise stores and the service fees we charged from our franchisees. As of December 31, 2021, 2022 and 2023, there were 3,694, 3,974 and 4,288 franchise stores in our franchise network, respectively. Our revenue from franchise model amounted to RMB1,667.5 million, RMB1,641.1 million and RMB2,852.8 million in 2021, 2022 and 2023, representing 59.9%, 52.9% and 55.4%, respectively, of our total revenue during the same periods, among which:

- a significant portion was generated from the sales of products to our franchise stores, amounting to RMB1,075.2 million, RMB843.2 million and RMB2,020.3 million in 2021, 2022 and 2023, respectively, representing 38.6%, 27.2% and 39.2%, respectively, of our total revenue during the same periods;
- to a lesser extent, we also generated revenue from the charge of (i) franchise service fee from our franchisees, which amounted to RMB75.9 million, RMB78.1 million and RMB78.5 million in 2021, 2022 and 2023, respectively, accounting for 2.7%, 2.5% and 1.5%, respectively, of our total revenue during the same periods, and (ii) product admission fee from our franchisees, which amounted to RMB398.0 million, RMB627.2 million and RMB631.7 million in 2021, 2022 and 2023, respectively, accounting for 14.3%, 20.2% and 12.3%, respectively, of our total revenue during the same periods, and
- a smaller portion of our revenue was generated from our other service fees, which mainly include supply chain management fees charged from our authorized suppliers and decoration management fees charged from decoration service providers. Our other service fees amounted to RMB118.3 million, RMB92.6 million and RMB122.3 million in 2021, 2022 and 2023, respectively, accounting for 4.3%, 3.0% and 2.4% of our total revenue during the same periods.

---

## FINANCIAL INFORMATION

---

*Comparison between 2023 and 2022:* Our revenue from franchise model increased from RMB1,641.1 million in 2022 to RMB2,852.8 million in 2023, primarily due to (i) our strategic focus on developing, and promoting the sales of, gold jewelry products to our franchisees and (ii) the increase in the number of our franchise stores from 3,974 as of December 31, 2022 to 4,288 as of December 31, 2023, which led to a corresponding increase in our products sales in our franchise stores.

*Comparison between 2022 and 2021:* Our revenue from franchise model slightly decreased from RMB1,667.5 million in 2021 to RMB1,641.1 million in 2022, notwithstanding the increase of the numbers of our franchise stores from 3,694 in 2021 to 3,974 in 2022, primarily due to (i) the decrease in sales of our diamond-set jewelry and others from RMB698.3 million in 2021 to RMB415.5 million in 2022 in line with the declined market demand for diamond-set jewelry during the same period, and the adjustment in our product admission fee policy implemented since 2021 that allows our franchisees to procure diamond-set jewelry from our authorized suppliers irrespective of the previously-set annual procurement target under the old policy and (ii) the decrease in performance guarantee fee under our other service fees, which was partially offset by the increase in product admission fee due to the aforementioned policy adjustment. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.

### *Revenue from Sales of Products*

#### Gold Jewelry

*Comparison between 2023 and 2022:* Our revenue from the sales of gold jewelry to our franchisees increased from RMB427.7 million in 2022 to RMB1,669.3 million in 2023, primarily because of (i) our strategic focus on promoting certain products, including products with special craftsmanship techniques and Chinese trendy elements, such as the Ancient Craftsmanship series, the Essence series and the Dragon and Phoenix series. Those products were provided by suppliers exclusively to us, and could only be procured from us by our franchisees. This exclusivity and our promotion and marketing efforts on these products resulted in higher sales volumes, (ii) the increasing market demand for gold products, especially rising demand from young end consumers who are becoming an important end consumer group and (iii) the growth of the number of our franchise stores from 3,974 as of December 31, 2022 to 4,288 as of December 31, 2023, which resulted in increased sales of our jewelry products to our franchisees.

*Comparison between 2022 and 2021:* Our revenue from the sales of gold jewelry to our franchise stores increased from RMB377.0 million in 2021 to RMB427.7 million in 2022, primarily driven by (i) the growth of the number of our franchise stores from 3,694 as of December 31, 2021 to 3,974 as of December 31, 2022, which resulted in increased sales of our jewelry products to our franchisees and (ii) our shifted focus onto the development and promotion of gold jewelry products sales, which was partially offset by the negative impact of the COVID-19 pandemic in 2022.



---

## FINANCIAL INFORMATION

---

### Diamond-set Jewelry and Others

Our revenue from sales of diamond-set jewelry and others to our franchise stores decreased from RMB698.3 million in 2021 to RMB415.5 million in 2022 and further decreased from RMB415.5 million in 2022 to RMB351.0 million in 2023, primarily attributable to (i) the decreased market demand for diamond-set jewelry and others in the respective years and (ii) the adjustment in our product admission fee policy implemented since 2021, which permitted our franchisees to procure diamond-set jewelry from our authorized suppliers irrespective of the annual diamond-set jewelry procurement target set by us under the old policy. The full financial impact of this adjustment became more apparent in 2022 as the franchise agreements newly signed or renewed on a rolling basis in 2021 fully incorporated the adjusted product admission fee policy in 2022. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.

### *Revenue from Services Fees*

#### Franchise Service Fee

Despite the steady growth of the number of our franchise stores from 3,694 as of December 31, 2021 to 3,974 as of December 31, 2022 and further increased to 4,288 as of December 31, 2023, our revenue from franchise service fee remained relatively stable, amounting to RMB75.9 million, RMB78.1 million and RMB78.5 million in 2021, 2022 and 2023, respectively, primarily because we offered franchise service fee discounts to our new or existing franchisees for their newly-opened franchise stores.

#### Product Admission Fee

Our revenue from product admission fee amounted to RMB398.0 million, RMB627.2 million and RMB631.7 million in 2021, 2022 and 2023, respectively.

*Comparison between 2023 and 2022:* Our revenue from product admission fee amounted to RMB627.2 million in 2022 and RMB631.7 million in 2023, which remained relatively stable, primarily because, despite the increasing number of our franchise stores from 3,974 as of December 31, 2022 to 4,288 as of December 31, 2023, the product admission fee charged from our new or existing franchisees for their newly-opened franchise stores were partially offset by the discounts we provided to them.

*Comparison between 2022 and 2021:* Our revenue from product admission fee increased from RMB398.0 million in 2021 to RMB627.2 million in 2022, primarily due to the adjustment of our product admission fee policy implemented since 2021 that has shifted from a variable product admission fee model to a fixed product admission fee model with respect to the procurement of diamond-set jewelry and its full financial impact became more apparent in 2022 as the franchise agreements newly signed or renewed on a rolling basis in 2021 fully incorporated the adjusted product admission fee policy in 2022. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.

---

## FINANCIAL INFORMATION

---

### Other Service Fees

Our other service fees amounted to RMB118.3 million, RMB92.6 million and RMB122.3 million in 2021, 2022 and 2023, respectively, accounting for 4.3%, 3.0% and 2.4%, respectively, of our total revenue during the same periods.

*Comparison between 2023 and 2022:* Our revenue from other service fees increased from RMB92.6 million in 2022 to RMB122.3 million in 2023 in line with our business growth.

*Comparison between 2022 and 2021:* Our revenue from other service fees decreased from RMB118.3 million in 2021 to RMB92.6 million in 2022, primarily attributable to the adjustment in our product admission fee policy implemented since 2021 that led to the decrease of performance guarantee fee we used to charge from our franchisees with respect to diamond-set jewelry procurement. See “Business – Our Sales Network – Our Franchise Model – Fee Charged from Our Franchisees – Historical adjustment of product admission fee policy for diamond-set jewelry products” for more details.

### *Revenue from Self-operated Stores*

Our revenue generated from sales of products at our self-operated stores amounted to RMB343.5 million, RMB362.3 million and RMB487.0 million in 2021, 2022 and 2023, respectively, representing 12.3%, 11.7% and 9.5%, respectively, of our total revenue during the same periods.

### *Gold Jewelry*

*Comparison between 2022 and 2023:* Our revenue from sale of gold jewelry at our self-operated stores increased from RMB319.4 million in 2022 to RMB450.7 million in 2023, primarily attributable to (i) the increase in same-store revenue from RMB316.8 million in 2022 to RMB440.1 million in 2023 and (ii) the increasing market demand for gold jewelry products, especially rising demand from young end consumers who are becoming an important end consumer group.

*Comparison between 2021 and 2022:* Our revenue from sale of gold jewelry at our self-operated stores increased from RMB297.2 million in 2021 to RMB319.4 million in 2022, primarily due to the increase in the number of our self-operated stores from 70 as of December 31, 2021 to 78 as of December 31, 2022, partially offset by (i) the temporary closure of certain of our self-operated stores in 2022 and (ii) the general reduction in offline gold jewelry consumption, both due to the adverse impact of the COVID-19 pandemic.

---

## FINANCIAL INFORMATION

---

### *Diamond-set Jewelry and Others*

Our revenue from sales of diamond-set jewelry and others at our self-operated stores decreased from RMB46.2 million in 2021 to RMB42.9 million in 2022, and further decreased to RMB36.3 million in 2023, primarily due to the decreased market demand for diamond-set jewelry products during the same periods.

### *Revenue from Online Sales Channels*

Our revenue generated from our online sales channels, including sales through self-operated e-commerce stores and sales to e-commerce platforms, amounted to RMB739.1 million, RMB1,072.1 million and RMB1,745.8 million in 2021, 2022 and 2023, respectively, representing 26.6%, 34.6% and 33.9%, respectively, of our total revenue during the same periods, respectively.

### *Gold Jewelry*

Our revenue from sales of gold jewelry through our online sales channels increased from RMB583.4 million in 2021 to RMB908.9 million in 2022, and further to RMB1,556.0 million in 2023, primarily attributable to (i) more competitive price we provided for best-selling gold jewelry on e-commerce platforms to cater to the preferences of online consumers, (ii) the increase in the number of e-commerce platforms that we cooperated with, which has facilitated a substantial increase in product sales volume, (iii) the increased online sales of gold bars in 2023, primarily attributable to the promotions by our online sales channels and (iv) the growing market size of the gold jewelry in online channels.

### *Diamond-set Jewelry and Others*

Our revenue from sales of diamond-set jewelry and others on online sales channels increased from RMB155.7 million in 2021 to RMB163.2 million in 2022 and further increased to RMB189.9 million in 2023, primarily attributable to the increase in sales of other jewelry products, such as pearl jewelry and jade jewelry in response to the increasing market demand through our online sales channels, despite a decrease of sales of diamond-set jewelry products through these online sales channels during the same periods.

## FINANCIAL INFORMATION

### Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature, in absolute and as a percentage of our total cost of sales, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Material Costs	1,354,170	74.9	1,500,437	78.9	3,371,401	88.8
Finished Product Costs	246,585	13.6	224,712	11.8	221,902	5.9
Outsourced Production Costs	156,542	8.7	125,286	6.6	147,249	3.9
Staff Costs	2,047	0.1	740	0.0	58	0.0
Production Costs	2,107	0.1	677	0.0	58	0.0
Others <sup>(1)</sup>	47,042	2.6	49,750	2.6	58,038	1.5
<b>Total</b>	<b><u>1,808,493</u></b>	<b><u>100.0</u></b>	<b><u>1,901,602</u></b>	<b><u>100.0</u></b>	<b><u>3,798,706</u></b>	<b><u>100.0</u></b>

*Note:*

(1) Others include inspection fees and freight.

In 2021, 2022 and 2023, our cost of sales amounted to RMB1,808.5 million, RMB1,901.6 million and RMB3,798.7 million, respectively. A substantial portion of our cost of sales was attributable to material costs, which accounted for 74.9%, 78.9% and 88.8% of our total cost of sales for the same periods, respectively.

Our cost of sales increased from RMB1,808.5 million in 2021 to RMB1,901.6 million in 2022 and further increased to RMB3,798.7 million in 2023, which is in line with (i) the increase in our procurement of gold during the Track Record Period and (ii) the increasing trend in the price of gold. In 2021, 2022 and 2023, our average gold procurement price was RMB332.0/g, RMB347.6/g and RMB401.0/g, exclusive of value-added tax, which was generally in line with the market prevailing prices.

## FINANCIAL INFORMATION

### Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by sales channels and products and services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit RMB'000	Gross Margin (%)	Gross Profit RMB'000	Gross Margin (%)	Gross Profit RMB'000	Gross Margin (%)
<b>Franchise Model</b>	<b>679,965</b>	<b>40.8</b>	<b>849,649</b>	<b>51.8</b>	<b>913,665</b>	<b>32.0</b>
<i>Sales of products</i>	<b>126,315</b>	<b>11.7</b>	<b>81,274</b>	<b>9.6</b>	<b>116,182</b>	<b>5.8</b>
(i) Gold jewelry <sup>(1)</sup>	5,761	1.5	13,835	3.2	63,533	3.8
(ii) Diamond-set jewelry and others <sup>(2)</sup>	120,554	17.3	67,439	16.2	52,649	15.0
<b>Service Fees</b>	<b>553,650</b>	<b>93.5</b>	<b>768,375</b>	<b>96.3</b>	<b>797,483</b>	<b>95.8</b>
(i) Franchise service fee	75,904	100.0	78,102	100.0	78,539	100.0
(ii) Product admission fee	397,408	99.9	626,993	100.0	631,547	100.0
(iii) Other service fees <sup>(3)</sup>	80,338	67.9	63,280	68.4	87,397	71.5
<b>Self-operated Stores</b>	<b>89,784</b>	<b>26.1</b>	<b>100,536</b>	<b>27.7</b>	<b>130,753</b>	<b>26.8</b>
(i) Gold jewelry <sup>(1)</sup>	64,147	21.6	75,866	23.8	113,531	25.2
(ii) Diamond-set jewelry and others <sup>(2)</sup>	25,637	55.4	24,670	57.5	17,222	47.4
<b>Online Sales Channels</b>	<b>199,368</b>	<b>27.0</b>	<b>244,984</b>	<b>22.9</b>	<b>302,893</b>	<b>17.3</b>
(i) Gold jewelry <sup>(1)</sup>	131,800	22.6	177,607	19.5	234,577	15.1
(ii) Diamond-set jewelry and others <sup>(2)</sup>	67,568	43.4	67,377	41.3	68,316	36.0
<b>Others<sup>(4)</sup></b>	<b>5,446</b>	<b>16.5</b>	<b>4,919</b>	<b>18.8</b>	<b>3,584</b>	<b>5.6</b>
<b>Total</b>	<b>974,563</b>	<b>35.0</b>	<b>1,200,088</b>	<b>38.7</b>	<b>1,350,895</b>	<b>26.2</b>

*Notes:*

- (1) Gold Jewelry primarily includes pure gold jewelry, K gold jewelry and platinum jewelry.
- (2) Diamond-set jewelry and others primarily include diamond-set jewelry, silver jewelry, pearl jewelry and gemstone jewelry.
- (3) Other service fees primarily include supply chain management fees charged from our authorized suppliers, decoration management fees charged from decoration service providers and performance guarantee fee charged from our franchisees, mainly in 2021.
- (4) Others primarily include wholesales and certain customized orders.

---

## FINANCIAL INFORMATION

---

### *Gross Profit and Gross Profit Margin from Franchise Model*

#### *Gross Profit and Gross Profit Margin from Sale of Products*

##### Gold Jewelry

Our gross profit from sales of gold jewelry to our franchise stores increased from RMB5.8 million in 2021 to RMB13.8 million in 2022, and further increased to RMB63.5 million in 2023.

Our gross profit margin from sales of gold jewelry to our franchise stores amounted to approximately 1.5%, 3.2% and 3.8% in 2021, 2022 and 2023, respectively.

*Comparison between 2023 and 2022:* Our gross profit margin from sales of gold jewelry to our franchise stores remained relatively stable, amounting to approximately 3.2% and 3.8% in 2022 and 2023, respectively.

*Comparison between 2022 and 2021:* Our gross profit margin from sales of gold jewelry to our franchise stores increased from approximately 1.5% in 2021 to approximately 3.2% in 2022, primarily due to (i) changes in product mix offered to our franchisees which included certain gold jewelry products with higher margins in 2022 and (ii) the decrease in gold prices in the second half of 2021, which resulted in the procurement of gold at higher costs and sales of gold jewelry at lower prices in the second half of 2021, leading to the decrease of the profit margin from the sales of gold jewelry. The gold price generally returned to an increasing trend in 2022.

##### Diamond-set Jewelry and Others

Our gross profit from sales of diamond-set jewelry and others to our franchise stores decreased from RMB120.6 million in 2021 to RMB67.4 million in 2022 and further decreased to RMB52.6 million in 2023.

Our gross profit margin from sales of diamond-set jewelry and others to our franchise stores decreased from approximately 17.3% in 2021 to 16.2% in 2022 and further to 15.0% in 2023, respectively, primarily due to provisions for impairment of inventory made to these products.

---

## FINANCIAL INFORMATION

---

### *Gross Profit and Gross Profit Margin from Service Fees*

#### Franchise Service Fee

Our gross profit from franchise service fee amounted to RMB75.9 million, RMB78.1 million and RMB78.5 million in 2021, 2022 and 2023, respectively, and gross profit margin from franchise service fee amounted to 100.0%, 100.0% and 100.0%, respectively, for the same periods, which remained stable.

#### Product Admission Fee

Our gross profit from product admission fee amounted to RMB397.4 million, RMB627.0 million and RMB631.5 million in 2021, 2022 and 2023, respectively, and the gross profit margin from product admission fee amounted to 99.85%, 99.97% and 99.98%, respectively, for the same periods, which remained relatively stable.

The gross profit margin from product admission fee was less than 100% in each of 2021, 2022 and 2023, primarily because inspection fees in relation to the quality inspection we performed with respect to products procured by our franchisees from our authorized suppliers were deducted as costs hereunder.

#### Other Service Fees

Our gross profit from other service fees amounted to RMB80.3 million, RMB63.3 million and RMB87.4 million in 2021, 2022 and 2023, respectively. The gross profit margin from other service fees remained relatively stable at 67.9%, 68.4% and 71.5% in 2021, 2022 and 2023, respectively.

### *Gross Profit and Gross Profit Margin from Self-operated Stores*

#### *Gold Jewelry*

Our gross profit from sales of gold jewelry at our self-operated stores increased from RMB64.1 million in 2021 to RMB75.9 million in 2022 and further increased to RMB113.5 million in 2023 in line with the growing market demand for gold jewelry during the same periods.

Our gross profit margin from sales of gold jewelry at our self-operated stores amounted to approximately 21.6%, 23.8% and 25.2% in 2021, 2022 and 2023, respectively. The slight increase in the gross profit margin from sales of gold jewelry at our self-operated stores is primarily attributable to the increase of price of gold. See “– Significant Factors Affecting Our Results of Operations – Costs of Raw Materials” in this section for more details.

---

## FINANCIAL INFORMATION

---

### *Diamond-set Jewelry and Others*

Our gross profit from sales of diamond-set jewelry and others at our self-operated stores decreased from RMB25.6 million in 2021 to RMB24.7 million in 2022 and further decreased to RMB17.2 million in 2023, primarily attributable to the decreased consumer demand for the diamond-set jewelry and others.

Our gross profit margin from sales of diamond-set jewelry and others at our self-operated stores amounted to approximately 55.4%, 57.5% in 2021 and 2022, respectively, which remained relatively stable.

Our gross profit margin from sales of diamond-set jewelry and others at our self-operated stores decreased from 57.5% in 2022 to 47.4% in 2023, in line with the decline in sales of diamond-set jewelry and our consequent provisions for impairment of inventory made to these products, which lead to decreased gross profit margin thereof.

### ***Gross Profit and Gross Profit Margin from Online Sales Channels***

#### *Gold Jewelry*

Our gross profit from sales of gold jewelry on online sales channels increased from RMB131.8 million in 2021 to RMB177.6 million in 2022 and further increased to RMB234.6 million in 2023, while the gross profit margin decreased from 22.6% in 2021 to 19.5% in 2022 and further decreased to 15.1% in 2023, primarily because the expansion of our online sales channels has facilitated a substantial increase in product sales volume, thereby boosting gross profit, while the overall gross profit margin experienced a decline, primarily attributable to (i) the increased competitive pricing strategies aimed at driving sales volume and (ii) the increased online sales of gold bars in 2023 which generally had a lower gross profit margin.

#### *Diamond-set Jewelry and Others*

Our gross profit from sales of diamond-set jewelry and others through our online sales channels amounted to RMB67.6 million, RMB67.4 million and RMB68.3 million in 2021, 2022 and 2023, respectively, remaining relatively stable.

Our gross profit margin from sales of diamond-set jewelry and others through our online sales channels amounted to approximately 43.4%, 41.3% and 36.0% in 2021, 2022 and 2023, respectively. The decrease was mainly due to our increased competitive pricing strategies for diamond-set jewelry and others.



## FINANCIAL INFORMATION

### Other Income and Gains

In 2021, 2022 and 2023, our other income and gains amounted to RMB29.1 million, RMB55.3 million and RMB52.6million, respectively, representing 1.0%, 1.8% and 1.0%, respectively, of our total revenue during the same periods.

The following table sets forth a breakdown of our other income and gains, both in absolute amount and as a percentage of our total other income and gains for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<b>Other income</b>						
Government grants	13,270	45.6	22,746	41.2	19,514	37.1
Interest income	3,844	13.2	10,920	19.8	16,451	31.3
Investment income	1,620	5.6	738	1.3	–	–
Others	186	0.6	242	0.4	362	0.7
<b>Subtotal</b>	<u>18,920</u>	<u>65.0</u>	<u>34,646</u>	<u>62.7</u>	<u>36,327</u>	<u>69.0</u>
<b>Gains</b>						
Compensation for breach of contract	7,427	25.5	10,865	19.7	6,190	11.8
Compensation for litigation	867	3.0	9,400	17.0	8,961	17.0
Others	1,875	6.4	351	0.6	1,141	2.2
<b>Subtotal</b>	<u>10,169</u>	<u>35.0</u>	<u>20,616</u>	<u>37.3</u>	<u>16,292</u>	<u>31.0</u>
<b>Total</b>	<u><u>29,089</u></u>	<u><u>100.0</u></u>	<u><u>55,262</u></u>	<u><u>100.0</u></u>	<u><u>52,619</u></u>	<u><u>100.0</u></u>

*Comparison between 2023 and 2022:* Our other income and gains decreased from RMB55.3 million 2022 to RMB52.6 million in 2023, primarily attributable to (i) RMB5.3 million in 2022 generated by a party for carrying out gemstone trading business in 2019 and 2020 in contravention with our internal policy, (ii) a decrease in governmental grants as the government budget decreased in 2023, and partially offset by an increase in interest income as a result of increased bank deposits by us in 2023.

## FINANCIAL INFORMATION

*Comparison between 2022 and 2021:* Our other income and gains increased significantly from RMB29.1 million in 2021 to RMB55.3 million in 2022, primarily due to (i) an increase in government grants as the government budget increased in 2022, (ii) our compensation from trademark litigation cases and (iii) an increase in interest income as a result of increased bank deposits by us in 2022.

### Selling and Marketing Expenses

In 2021, 2022 and 2023, our selling and marketing expenses amounted to RMB326.0 million, RMB394.3 million and RMB469.6 million, respectively, representing 11.7%, 12.7% and 9.1%, respectively, of our total revenue during the same periods.

The table below sets forth a breakdown of our selling and marketing expenses, both in absolute amount and as percentages of our total selling and marketing expenses, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Staff costs	140,182	43.0	169,825	43.1	198,866	42.4
Promotion and advertising expenses	59,810	18.3	89,023	22.6	108,489	23.1
Low-value consumables	20,561	6.3	25,966	6.6	24,274	5.2
Selling and marketing						
service fees	24,796	7.6	25,036	6.3	31,008	6.6
E-commerce platforms						
service fee	16,827	5.2	21,869	5.5	29,515	6.3
Lease property expenses	13,823	4.2	16,260	4.1	20,793	4.4
Depreciation and amortization expenses	6,388	2.0	11,149	2.8	12,788	2.7
Vehicle and travelling expenses	10,063	3.1	9,089	2.3	12,239	2.6
Jewelry inspection fees	13,240	4.1	7,354	1.9	8,223	1.8
Others <sup>(1)</sup>	20,294	6.2	18,744	4.8	23,356	5.0
<b>Total</b>	<b>325,983</b>	<b>100.0</b>	<b>394,315</b>	<b>100.0</b>	<b>469,552</b>	<b>100.0</b>

*Note:*

(1) Others primarily include decoration expenses, share-based payment expenses, conference expenses and freight.

## FINANCIAL INFORMATION

*Comparison between 2023 and 2022:* Our selling and marketing expenses increased from RMB394.3 million in 2022 to RMB469.6 million in 2023, primarily attributable to (i) the increased staff costs in line with the expansion of our selling and marketing team and raised salaries for our selling and marketing staff, (ii) an increase in promotion and advertising expenses related to our e-commerce business expansion and promotional activities on our e-commerce platforms to attract online customers, (iii) an increase in e-commerce platforms service fee in line with our e-commerce business growth and (iv) increased selling and marketing service fees paid to shopping malls in line with the expansion of our self-operated store business.

*Comparison between 2022 and 2021:* Our selling and marketing expenses increased from RMB326.0 million in 2021 to RMB394.3 million in 2022, primarily attributable to (i) increased staff costs in line with the expansion of our selling and marketing team and raised salaries for our selling and marketing staff, (ii) an increase in promotion and advertising expenses as a result of our increased advertisements, endorsements and other promotional activities, including and in particular our e-commerce business expansion and promotional activities on e-commerce platforms to attract online customers and (iii) an increase in e-commerce platforms service fee, in line with the revenue growth in our online sales channels as a result of our proactive expansion of e-commerce business.

### Administrative Expenses

In 2021, 2022 and 2023, our administrative expenses amounted to RMB99.3 million, RMB98.3 million and RMB92.4 million, respectively, representing 3.6%, 3.2% and 1.8%, respectively, of our total revenue during the same periods.

The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as percentages of our total administrative expenses for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Staff costs	27,707	27.9	32,680	33.3	34,730	37.6
Professional service fees	40,693	41.0	28,900	29.4	16,780	18.2
Depreciation and amortization	9,571	9.6	11,209	11.4	16,171	17.5
Business entertainment expenses	6,948	7.0	7,841	8.0	9,789	10.6
Share-based payment expense	3,773	3.8	5,316	5.4	(617)	(0.7)
Lease property expenses	2,161	2.2	3,730	3.8	4,550	4.9
Decoration expenses	2,277	2.3	2,661	2.7	2,665	2.9
Others <sup>(1)</sup>	6,140	6.2	5,919	6.0	8,371	9.0
<b>Total</b>	<b>99,270</b>	<b>100.0</b>	<b>98,256</b>	<b>100.0</b>	<b>92,439</b>	<b>100.0</b>

*Note:*

(1) Others primarily include vehicle and travelling expenses, low-value consumables and stamp tax.

## FINANCIAL INFORMATION

Our administrative expenses decreased from RMB99.3 million in 2021 to RMB98.3 million in 2022 and further decreased to RMB92.4 million in 2023, primarily attributable to a decrease in our professional service fee, primarily due to (i) the lower legal fee and litigation costs in 2022 associated with the enforcement of our trademark rights in trademark litigation cases compared to 2021 (see “Business – Legal Proceedings and Compliance” for more details) and (ii) the decrease in listing expenses related to the previous A-Share listing attempt.

### Research and Development Expenses

In 2021, 2022 and 2023, our research and development expenses amounted to RMB9.8 million, RMB9.5 million and RMB9.9 million, respectively, representing 0.4%, 0.3% and 0.2%, respectively, of our total revenue during the same periods.

The following table sets out a breakdown of our research and development expenses, both in absolute amount and as percentages of our total research and development expenses, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Staff costs	8,327	84.6	8,986	95.0	9,151	92.1
Depreciation and amortizations	191	1.9	353	3.7	338	3.4
Outsourced service fees	1,150	11.7	3	0.0	9	0.1
Others	177	1.8	121	1.3	437	4.4
<b>Total</b>	<b>9,844</b>	<b>100.0</b>	<b>9,462</b>	<b>100.0</b>	<b>9,935</b>	<b>100.0</b>

*Comparison between 2023 and 2022:* Our research and development expenses increased from RMB9.5 million in 2022 to RMB9.9 million in 2023, primarily attributable to increased staff costs due to the expansion of our design and development team and raised salaries for our design and development staff.

*Comparison between 2022 and 2021:* Our design and development expenses decreased from RMB9.8 million in 2021 to RMB9.5 million in 2022, primarily because we incurred outsourced service fees in relation to an outsourced software development project in 2021, which was partially offset by the increase in staff costs in 2022.

## FINANCIAL INFORMATION

### Other Expenses, net

The table below sets forth details of our other expenses, net, both in absolute amount and as percentages of our total other expenses, net, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Impairment losses for accounts receivables and other receivables	9,314	93.5	7,563	92.5	(3,866)	117.5
Public welfare donations	115	1.2	534	6.5	118	(3.6)
Others <sup>(1)</sup>	537	5.3	82	1.0	459	(14.0)
<b>Total</b>	<b>9,966</b>	<b>100.0</b>	<b>8,179</b>	<b>100.0</b>	<b>(3,289)</b>	<b>100.0</b>

*Note:*

- (1) Others include loss on disposal of non-current assets, litigation and settlement compensation, penalty expenses and exchange gains or losses.

We recorded other expenses, net of RMB10.0 million in 2021 and RMB8.2 million in 2022 and we recorded a reversal of other expenses, net of RMB3.3 million in 2023. The impairment losses for accounts receivables and other receivables in 2021 and 2022 were primarily attributable to the impairment of certain overdue receivables by certain counterparties, such as shopping malls under concession agreements with us. We recovered part of the overdue receivables in 2023, leading to a reversal of the associated impairment losses for accounts receivables and other receivables initially recognized.

### Finance Costs

The table below sets forth details of our finance costs, both in absolute amount and as percentages of our total finance costs, for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000		RMB'000		RMB'000	
Interest on lease liabilities	1,476	100.0	2,144	100.0	1,904	77.8
Interest on bank loans	-	-	-	-	542	22.2
<b>Total</b>	<b>1,476</b>	<b>100.0</b>	<b>2,144</b>	<b>100.0</b>	<b>2,446</b>	<b>100.0</b>

*Comparison between 2023 and 2022:* Our finance costs increased from RMB2.1 million in 2022 to RMB2.4 million in 2023, primarily because we incurred bank loans in 2023.

*Comparison between 2022 and 2021:* Our finance costs increased from RMB1.5 million in 2021 to RMB2.1 million in 2022 due to the increase in interest on lease liabilities as a result of new leases entered into by us in 2022 for our training center and our newly opened self-operated stores.

## FINANCIAL INFORMATION

### Income Tax Expense

The table below sets forth a breakdown of our income tax expense for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Current	134,741	102.3	170,340	101.5	174,042	100.8
Deferred	(3,025)	(2.3)	(2,587)	(1.5)	(1,305)	(0.8)
<b>Total</b>	<b><u>131,716</u></b>	<b><u>100.0</u></b>	<b><u>167,753</u></b>	<b><u>100.0</u></b>	<b><u>172,737</u></b>	<b><u>100.0</u></b>
<b>Effective tax rate</b>	<b><u>23.6%</u></b>		<b><u>22.6%</u></b>		<b><u>20.8%</u></b>	

During the same periods, our effective tax rate, calculated as our income tax expense divided by profit before tax, was 23.6%, 22.6% and 20.8%, respectively, which were lower than the 25% statutory rate, primarily because some of our subsidiaries enjoyed preferential tax rates. See Note 10 to “Appendix I – Accountants’ Report” to this document for more details.

Our income tax expense increased from RMB131.7 million in 2021 to RMB167.8 million in 2022 and further increased to RMB172.7 million in 2023, primarily due to the increase in our profit before tax.

### Profit for the Year

As a result of the foregoing, our profit for the year increased by 35.2% from RMB425.4 million in 2021 to RMB575.2 million in 2022 and further increased by 14.7% to RMB659.7 million in 2023.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our use of cash primarily related to the operating activities and capital expenditure. We have historically financed our operations primarily through cash generated from our operating activities. As of December 31, 2023, we had available cash and cash equivalents of RMB178.0 million. Our available cash and cash equivalents comprise cash and bank balances net of debt investments. See Note 21 to the Accountants’ Report in Appendix I to this document for more details.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating activities and [REDACTED] from the [REDACTED].

See “– Selected Balance Sheet Items” in this section for more details of our working capital.

## FINANCIAL INFORMATION

### Working Capital Sufficiency

Taking into account the [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months following the date of this document.

### Cash Flows Analysis

The following table sets forth selected cash flow statement information for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	490,688	138,937	403,883
Net cash flows (used in) investing activities	(21,482)	(328,356)	(192,886)
Net cash flows (used in) financing activities	(321,506)	(24,013)	(240,791)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>147,700</b>	<b>(213,432)</b>	<b>(29,794)</b>
Cash and cash equivalents at beginning of the year	273,377	421,077	207,642
Effect of foreign exchange rate changes, net	–	(3)	130
<b>Cash and cash equivalents at end of the year</b>	<b>421,077</b>	<b>207,642</b>	<b>177,978</b>

### Operating Activities

Our cash flow from operating activities reflect: our profit before tax adjusted for (i) non-cash and non-operating items such as depreciation of right-of-use assets, depreciation of property, plant and equipment and amortization of other intangible assets and other assets (ii) the effects of movement in working capital such as trade payables, contract liabilities, inventories and trade and receivables and prepayments and (iii) income tax paid. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from our customers such as franchisees and e-commerce platforms and shopping malls under the concession agreements, the timing of payment of trade payables to suppliers or other counterparties, and the changes in our inventory during the ordinary course of our business, which also primarily accounted for the difference in the net cash flows generated from operating activities among the years during the Track Record Period.

Our net cash flow from operating activities in 2023 was RMB403.9 million, primarily attributable to our profit before tax of RMB832.4 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of the depreciation of right-of-use assets of RMB24.7 million and the depreciation of property, plant and equipment of RMB21.1 million, (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB310.6 million and an increase in prepayments, other receivables and other assets of RMB46.2 million and (iii) income tax paid of RMB170.2 million, partially offset by (i) an increase in contract liabilities of RMB28.1 million and (ii) an increase in other payables and accruals of RMB18.9 million.

---

## FINANCIAL INFORMATION

---

Our net cash flow from operating activities in 2022 was RMB138.9 million, primarily attributable to our profit before tax of RMB743.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of (a) depreciation of property, plant and equipment of RMB17.1 million and depreciation of right-of-use assets of RMB19.2 million, (b) changes in working capital, which primarily resulted from an increase in inventories of RMB375.8 million and an increase in prepayments, other receivables and other assets of RMB52.6 million and (c) income tax paid of RMB159.1 million, partially offset by (i) a decrease in contract liabilities of RMB28.3 million and (ii) a decrease in other payables and accruals of RMB7.3 million.

Our net cash flow from operating activities in 2021 was RMB490.7 million, primarily attributable to our profit before tax of RMB557.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of property, plant and equipment of RMB14.4 million and depreciation of right-of-use assets of RMB13.3 million, (ii) changes in working capital, which primarily resulted from an increase in contract liabilities of RMB221.2 million and (iii) income tax paid of RMB125.4 million, partially offset by (i) an increase in inventories of RMB147.6 million, (ii) an increase in trade receivables of RMB66.0 million and (iii) a decrease of trade payables of RMB52.7 million.

### *Investing Activities*

In 2023, our net cash used in investing activities amounted to RMB192.9 million, which was primarily resulted from (i) purchases of certificate of deposits and time deposits of RMB600.4 million and (ii) the purchase of items of property, plant and equipment, leasehold land and other assets of RMB33.5 million, partially offset by proceeds from disposal of certificate of deposits and time deposits of RMB440.0 million.

In 2022, our net cash used in investing activities amounted to RMB328.4 million, which was primarily resulted from (i) purchase of certificate of deposits and time deposits of RMB906.0 million, (ii) the purchase of financial assets at fair value through profit or loss of RMB245.0 million and (iii) the purchase of items of property, plant and equipment, leasehold land and other assets of RMB163.4 million, partially offset by (i) proceeds from disposal of certificate of deposits and time deposits of RMB740.0 million and (ii) proceeds from maturity of financial assets at fair value through profit or loss of RMB245.8 million.

In 2021, our net cash used in investing activities amounted to RMB21.5 million, which was primarily resulted from (i) purchase of financial assets at fair value through profit or loss of RMB620.0 million and (ii) purchase of certificate of deposits and time deposits of RMB50.0 million, partially offset by (i) the proceeds from maturity of financial assets at fair value through profit or loss of RMB621.7 million and (ii) proceeds from disposal of certificate of deposits and time deposits of RMB50.0 million.

### *Financing Activities*

In 2023, our net cash used in financing activities amounted to RMB240.8 million, which was primarily resulted from (i) dividends paid of RMB300.3 million and (ii) payment of lease liabilities of RMB23.4 million, partially offset by the new bank loans of RMB84.0 million.



## FINANCIAL INFORMATION

In 2022, our net cash used in financing activities amounted to RMB24.0 million, which was primarily resulted from (i) the payments of lease liabilities of RMB19.9 million, (ii) the payments of [REDACTED] of RMB[REDACTED] and (iii) payment of lease deposits of RMB1.6 million.

In 2021, our net cash used in financing activities amounted to RMB321.5 million, which was primarily resulted from (i) the dividends paid of RMB299.2 million, (ii) the payment of lease liabilities of RMB14.6 million and (iii) the acquisition of non-controlling interests of RMB5.4 million.

### SELECTED BALANCE SHEET ITEMS

#### Current Assets and Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Current assets</b>				
Inventories	1,246,421	1,614,741	1,912,683	2,181,723
Trade receivables	207,497	231,072	238,382	310,897
Prepayments, other receivables and other assets	39,219	95,676	144,767	166,001
Cash and bank balances	421,277	217,480	188,064	317,612
<b>Total current assets</b>	<b>1,914,414</b>	<b>2,158,969</b>	<b>2,483,896</b>	<b>2,976,233</b>
<b>Current liabilities</b>				
Trade payables	38,273	36,096	35,521	169,460
Other payables and accruals	194,576	184,020	201,207	169,175
Interest-bearing bank borrowings	–	–	84,123	300,754
Contract liabilities	381,414	353,122	381,174	362,192
Lease liabilities	14,689	17,453	18,062	15,805
Tax payable	55,847	67,103	73,527	60,215
<b>Total current liabilities</b>	<b>684,799</b>	<b>657,794</b>	<b>793,614</b>	<b>1,077,601</b>
<b>NET CURRENT ASSETS</b>	<b>1,229,615</b>	<b>1,501,175</b>	<b>1,690,282</b>	<b>1,898,632</b>

## FINANCIAL INFORMATION

Our net current assets increased from RMB1,690.3 million as of December 31, 2023 to RMB1,898.6 million as of April 30, 2024, primarily attributable to (i) the increase of RMB269.0 million in inventories and (ii) the increase of RMB129.5 million of cash and bank balances, which was partially offset by (i) the increase of RMB133.9 million in trade payables and (ii) the increase of RMB216.6 million in interest-bearing bank borrowings.

Our net current assets increased from RMB1,501.2 million as of December 31, 2022 to RMB1,690.3 million as of December 31, 2023 primarily attributable to (i) the increase of RMB297.9 million in inventory and (ii) the increase of RMB49.1 million in prepayments, other receivables and other assets, which was partially offset by (i) the decrease of RMB29.4 million in cash and bank balances, (ii) the increase of RMB28.1 million in contract liabilities and (iii) the increase of other payables and accruals of RMB17.2 million.

Our net current assets increased from RMB1,229.6 million as of December 31, 2021 to RMB1,501.2 million as of December 31, 2022 primarily attributable to (i) the increase of RMB368.3 million in inventory and (ii) the increase of RMB56.5 million in prepayments, other receivables and other assets, partially offset by (i) the decrease of RMB203.8 million in cash and bank balances, (ii) the increase of RMB11.3 million in tax payables and (iii) the increase of lease liabilities of RMB2.8 million.

### *Inventories*

Our inventories comprises (i) finished goods, (ii) raw materials, (iii) work in progress and (iv) goods in transit. The following table sets forth a breakdown of our inventories as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	981,517	1,192,504	1,320,324
Raw materials	201,785	230,608	237,759
Work in progress	13,090	6,418	49,510
Goods in transit	50,029	185,211	305,090
	1,246,421	1,614,741	1,912,683
<b>Total</b>	<b>1,246,421</b>	<b>1,614,741</b>	<b>1,912,683</b>

Our inventories increased by 29.6% from RMB1,246.4 million as of December 31, 2021 to RMB1,614.7 million as of December 31, 2022 and further increased by 18.5% to RMB1,912.7 million as of December 31, 2023, mainly attributable to (i) our business growth, which led to growing inventory demand for sales and display, (ii) the increase in gold price from 2021 to 2023 resulting in the higher value of our inventories and (iii) the negative impact of recurrence of the pandemic, which resulted in slow inventory turnover near the end of 2022.

## FINANCIAL INFORMATION

The following table sets forth the turnover days of our inventories for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Inventory turnover days <sup>(1)</sup>	237	275	169

*Note:*

- (1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year divided by the cost of sales for that corresponding year and multiplied by 365 days for the year.

Our inventory turnover days were 237 days, 275 days and 169 days in 2021, 2022 and 2023, respectively. The increase of our inventories turnover days from 237 days in 2021 to 275 days in 2022 was mainly due to the negative impact of the recurrence of the COVID-19 pandemic on our offline sales in 2022. Our inventories turnover days significantly decreased from 275 days to 169 days in 2023 mainly attributable to the increasing proportion of sales of gold jewelry products, especially under the franchise model, which usually carry shorter turnover days.

As of April 30, 2024, RMB989.1 million, or 51.7% of our inventory as of December 31, 2023 had been utilized or sold.

The following table sets forth the aging analysis of our inventories for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Within one year	901,871	1,160,965	1,446,695
Over one year	353,283	467,047	488,742
Provision	<u>(8,733)</u>	<u>(13,271)</u>	<u>(22,754)</u>
<b>Total</b>	<b><u>1,246,421</u></b>	<b><u>1,614,741</u></b>	<b><u>1,912,683</u></b>

During the Track Record Period, the age of our inventories generally maintained at a stable and healthy level. As of December 31, 2021, 2022 and 2023, most of our inventories were aged within one year, accounting for 72.4%, 71.9% and 75.6%, respectively, of the total net inventories as of the same dates. Our inventories of longer age mainly represented diamond raw materials and diamond-set jewelry products. To promote the sales of our certain long-aged jewelry products, we may (i) strengthen promotion to accelerate their sales or (ii) rework or repurpose these products into new designs to align with prevailing consumer preferences.

## FINANCIAL INFORMATION

### *Trade Receivables*

The balance of our trade receivables mainly represented the amounts due from (i) franchisees to whom we have extended credit periods, (ii) e-commerce platforms to which we sell our products and (iii) shopping malls with which we have concession agreements. The table below sets forth our trade receivables as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	230,003	261,028	263,519
Impairment	(22,506)	(29,956)	(25,137)
	<u>207,497</u>	<u>231,072</u>	<u>238,382</u>
Net carrying amount	<u>207,497</u>	<u>231,072</u>	<u>238,382</u>

Our balance of trade receivables increased from RMB207.5 million as of December 31, 2021 to RMB231.1 million as of December 31, 2022 and further increased to RMB238.4 million as of December 31, 2023, which are generally in line with our sales revenue.

The following table sets forth an aging analysis of the trade receivables, based on the date of revenue recognition and net of loss allowance for impairment, as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	204,057	227,399	234,706
One to two years	3,337	3,605	3,510
Two to three years	103	68	166
	<u>207,497</u>	<u>231,072</u>	<u>238,382</u>
<b>Total</b>	<b><u>207,497</u></b>	<b><u>231,072</u></b>	<b><u>238,382</u></b>

During the Track Record Period, we did not experience any significant losses associated with our trade receivables and the increase in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

The following table sets forth our trade receivables turnover days during the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Trade receivable turnover days <sup>(1)</sup>	<u>24</u>	<u>26</u>	<u>17</u>

*Note:*

- (1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables (less allowance for impairment) for the relevant year, divided by the revenue for the same year and multiplied by 365 days for the year.

## FINANCIAL INFORMATION

Our trade receivables turnover days were 24 days, 26 days and 17 days in 2021, 2022 and 2023, respectively. Our trade receivable turnover days remained stable in 2021 and 2022 at 24 days and 26 days, respectively, and slightly decreased to 17 days in 2023, primarily attributable to the increasing proportion of sales of gold jewelry products, especially under the franchise model, which usually carry shorter turnover days.

As of April 30, 2024, RMB196.8 million, or 74.7% of our total trade receivables as of December 31, 2023, had been settled.

### *Prepayments, Other Receivables and Other Assets*

Our prepayments, other receivables and other assets primarily include (i) value-added tax recoverable, (ii) prepayments, (iii) deposits and (iv) advertising endorsement fee. Prepayments are primarily prepaid advertising expenses and payments to suppliers. Tax recoverable primarily represents the value-added input tax in excess of the value added output tax, which can be deductible or recoverable in the future.

The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>			
Value-added tax recoverable	20,240	67,611	99,508
Prepayments	9,668	16,076	26,054
Deposits	8,475	10,957	13,871
Other receivables	999	1,177	2,957
Advance payment of corporate income tax	17	57	2,625
Impairment allowance	(180)	(202)	(248)
<b>Subtotal</b>	<b>39,219</b>	<b>95,676</b>	<b>144,767</b>
<b>Non-current</b>			
Advertising endorsement fee	3,326	14,150	7,075
Prepayments for long-term assets	1,276	823	1,862
Other assets	334	139	95
<b>Subtotal</b>	<b>4,936</b>	<b>15,112</b>	<b>9,032</b>
<b>Total</b>	<b>44,155</b>	<b>110,788</b>	<b>153,799</b>

Our prepayments, other receivables and other assets increased by 150.9% from RMB44.2 million as of December 31, 2021 to RMB110.8 million as of December 31, 2022 and further increased by 38.8% to RMB153.8 million as of December 31, 2023, mainly resulting from (i) the increases in value-added tax recoverable attributable to the increased input tax to be classified or deducted and (ii) the increases in prepayments, which were primarily relevant to future advertising expenses.

## FINANCIAL INFORMATION

### *Cash and Bank Balances*

Our cash and bank balance primarily consist of cash and cash equivalents, interest receivable on bank deposits and restricted deposits. Our cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The following table sets forth the breakdown of our cash and bank balance as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Current</b>			
Cash and cash equivalents	421,077	207,642	177,978
Interest receivable on bank deposits	–	188	–
Restricted deposits	200	9,650	10,086
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>421,277</u>	<u>217,480</u>	<u>188,064</u>

Our restricted deposits amounted to RMB0.2 million, RMB9.7 million and RMB10.1 million in 2021, 2022 and 2023, respectively. The significant increase of our restricted deposits from 2021 to 2022 was primarily because RMB9.3 million was frozen by the court in the bank due to a case filed against us for an advertising contract dispute in 2022. As of the Latest Practicable Date, the case was closed and such restricted deposit was pending for court to release in full amount.

### *Trade Payables*

Our trade payables primarily consist of payables to our suppliers and outsourced producers. Our trade payables are non-interest-bearing and are normally settled on cash terms of one to three months after the invoice date. The fair values of trade payables as at the end of each year of the Track Record Period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

## FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	38,273	35,926	35,521
One to two years	—	170	—
<b>Total</b>	<u>38,273</u>	<u>36,096</u>	<u>35,521</u>

Our trade payables remained relatively stable, amounting to RMB38.3 million, RMB36.1 million and RMB35.5 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth our trade payables turnover days during the dates indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Trade payables turnover days <sup>(1)</sup>	<u>8</u>	<u>7</u>	<u>3</u>

*Note:*

- (1) The trade payables turnover days is the average of the opening and closing trade payables divided by our total cost of sales for that year and multiplied by 365 days for the year.

Our trade payables turnover days remained stable at eight days and seven days in 2021 and 2022, respectively and subsequently decreased to three days in 2023, mainly because our trade payables balances remained relatively stable during the Track Record Period while our cost of sales increased significantly from RMB1,808.5 million in 2021 and RMB1,901.6 million in 2022 to RMB3,798.7 million in 2023 in line with our business growth. See “– Review of Historical Results of Operations – Cost of Sales” in this section for more details.

As of April 30, 2024, approximately RMB34.8 million, or 98.0% of total trade payables as of December 31, 2023, were settled.

## FINANCIAL INFORMATION

### *Other Payables and Accruals*

Our other payables and accruals primarily comprise (i) deposits, (ii) salary and welfare payables, (iii) other tax payable, (iv) accruals and (v) other payables.

The table below sets forth our other payables and accruals as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current:</b>			
Deposits	110,212	121,242	118,316
Salary and welfare payables	33,872	27,672	33,668
Other tax payable	28,429	17,052	23,235
Accruals	19,326	16,191	19,354
Other payables	2,733	1,859	6,617
Other payables due to related parties	4	4	17
<b>Subtotal</b>	<b>194,576</b>	<b>184,020</b>	<b>201,207</b>
<b>Non-current:</b>			
Deferred income	200	200	200
Provision	–	–	255
<b>Subtotal</b>	<b>200</b>	<b>200</b>	<b>455</b>
<b>Total</b>	<b>194,776</b>	<b>184,220</b>	<b>201,662</b>

Our other payables and accruals increased from RMB184.2 million as of December 31, 2022 to RMB201.7 million as of December 31, 2023, primarily attributable to an increase in salary and welfare payables in line with our staff cost increases and increase in other tax payable.

Our other payables and accruals decreased from RMB194.8 million as of December 31, 2021 to RMB184.2 million as of December 31, 2022, primarily attributable to (i) a decrease of salary and welfare payables as a result of a change in the bonus distribution method. Since 2022, bonuses have been assessed and paid on a monthly, quarterly, and annual basis, rather than solely on an annual basis, leading to a lower year-end balance, (ii) the increase in sales of gold jewelry products and decrease in sales of diamond-set jewelry products contributed to a decrease of RMB3.5 million in the jewelry inspection fees payable to National Gems & Jewelry Testing Co. Ltd. at the end of 2022 compared to the end of 2021, as inspection fees for gold jewelry products are significantly lower than those for diamond-set jewelry and others and (iii) the decrease of other tax payable.



## FINANCIAL INFORMATION

### *Contract Liabilities*

Our contract liabilities include the franchise service fee, product admission fee and advance payment received for the delivery of the goods. The following tables set forth details of our contract liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Advances received from customers</i>			
Provision of services	378,246	349,194	367,133
Sales of goods	3,168	3,928	14,041
<b>Total</b>	<b>381,414</b>	<b>353,122</b>	<b>381,174</b>

Our contract liabilities decreased from RMB381.4 million as of December 31, 2021 to RMB353.1 million as of December 31, 2022 and increased to RMB381.2 million as of December 31, 2023. The fluctuation in contract liabilities during the Track Record Period was primarily due to varied timing in the signing of new franchise agreements and payments of the relevant service fees.

### **Non-current Assets and Liabilities**

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment	54,048	65,482	70,792
Investment properties	5,960	5,574	5,188
Right-of-use assets	32,070	153,978	149,584
Other intangible assets	3,395	3,369	3,815
Debt investments	–	168,244	337,484
Deferred tax assets	11,520	14,107	15,412
Prepayments, other receivables and other assets	4,936	15,112	9,032
<b>Total non-current assets</b>	<b>111,929</b>	<b>425,866</b>	<b>591,307</b>
<b>Non-current liabilities</b>			
Lease liabilities	18,907	21,802	17,510
Other payables and accruals	200	200	455
<b>Total Non-current Liabilities</b>	<b>19,107</b>	<b>22,002</b>	<b>17,965</b>

## FINANCIAL INFORMATION

### *Property, Plant and Equipment*

Our property, plant and equipment primarily consisted of our leasehold improvements, furniture, fixtures and equipment, motor vehicles, plant and machinery and construction in progress. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements	17,525	29,652	30,697
Buildings	23,841	22,304	20,767
Furniture, fixtures and equipment	8,342	9,635	11,435
Motor vehicles	3,319	3,158	2,710
Construction in progress	–	–	4,642
Plant and machinery	1,021	733	541
	<u>1,021</u>	<u>733</u>	<u>541</u>
<b>Total</b>	<b><u>54,048</u></b>	<b><u>65,482</u></b>	<b><u>70,792</u></b>

Our property, plant and equipment increased from RMB65.5 million as of December 31, 2022 to RMB70.8 million as of December 31, 2023, mainly due to the construction and renovation of our training center in 2022, the costs of which were amortized over 2023.

Our property, plant and equipment increased from RMB54.0 million as of December 31, 2021 to RMB65.5 million as of December 31, 2022, mainly due to the increase in our leasehold improvements in line with the increase of our number of self-operated stores from 70 as of December 31, 2021 to 78 as of December 31, 2022.

### *Investment Properties*

Our investment properties primarily consisted of our office unit located in Shenzhen. The following table sets forth the breakdown of our investment properties as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of the year	6,346	5,960	5,574
Depreciation provided during the year	(386)	(386)	(386)
	<u>(386)</u>	<u>(386)</u>	<u>(386)</u>
Carrying amount at end of the year	<b><u>5,960</u></b>	<b><u>5,574</u></b>	<b><u>5,188</u></b>

Our investment properties slightly decreased from RMB6.0 million as of December 31, 2021 to RMB5.6 million as of December 31, 2022 and further decreased to RMB5.2 million as of December 31, 2023, primarily due to the consistent depreciation of the property resulting in a natural annual reduction in net value.

## FINANCIAL INFORMATION

### *Right-of-Use Assets*

Our right-of-use assets represent carrying amounts of our leased and owned properties and office premises, buildings and stores. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land	–	116,562	115,178
Office premises, buildings and stores	32,070	37,416	34,406
<b>Total</b>	<b>32,070</b>	<b>153,978</b>	<b>149,584</b>

Our right-of-use assets decreased by 2.9% from RMB154.0 million as of December 31, 2022 to RMB149.6 million as of December 31, 2023 mainly due to adjustments of lease terms and depreciation charge.

Our right-of-use assets increased by 380.1% from RMB32.1 million as of December 31, 2021 to RMB154.0 million as of December 31, 2022, mainly attributable to (i) the purchase of land for our new headquarters building in 2022 and (ii) our entering into a few new leases in 2022 for our training center and our newly opened self-operated stores.

### *Debt Investments*

We recorded debt investments in the form of negotiable certificates of deposits with an interest rate of 2.80% to 3.55%, which amounted to RMB168.2 million and RMB337.5 million as of December 31, 2022 and December 31, 2023, respectively.

### *Lease liabilities*

Our non-current lease liabilities increased from RMB18.9 million as of December 31, 2021 to RMB21.8 million as of December 31, 2022 and subsequently decreased to RMB17.5 million as of December 31, 2023. The increase of our non-current lease liabilities from RMB18.9 million as of December 31, 2021 to RMB21.8 million as of December 31, 2022 was mainly because we entered into a few new leases in 2022 for our training center and our newly opened self-operated stores. The decrease of our non-current lease liabilities from RMB21.8 million as of December 31, 2022 to RMB17.5 million as of December 31, 2023 mainly due to several lease contracts with a term of one year or less are inapplicable to the new lease accounting standards.

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>
<b>Current:</b>				
Interest-bearing bank borrowings	–	–	84,123	300,754
Lease liabilities	14,689	17,453	18,062	15,805
<b>Non-current:</b>				
Lease liabilities	18,907	21,802	17,510	14,847
Interest-bearing bank borrowings	–	–	–	2,540
<b>Total</b>	<b><u>33,596</u></b>	<b><u>39,255</u></b>	<b><u>119,695</u></b>	<b><u>333,946</u></b>

### Interest-bearing Bank Borrowings

As of December 31, 2021 and 2022, we did not record interest-bearing bank borrowings. As of December 31, 2023 and April 30, 2024, we recorded interest-bearing bank borrowings of RMB84.1 million and RMB303.3 million, respectively. Our bank borrowings as of December 31, 2023 and April 30, 2024 were primarily for supporting our purchase of inventories. All of our interest-bearing bank borrowings were fixed-rate borrowings repayable within one year and shown under current liabilities. As of December 31, 2023, the range of the effective interest rate of our bank loans was 2.40% to 2.80% *per annum*. All of our interest-bearing bank borrowings are denominated in Renminbi.

As of December 31, 2023, certain of our bank borrowings were guaranteed by related parties amounting to RMB64.5 million at an interest rate of 2.80%. See Note 34 to “Appendix I – Accountants’ Report” to this document for more details.

As of April 30, 2024, our total facilities for bank borrowings amounted to RMB1,600.0 million, of which RMB303.3 million had been utilized. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank facilities.

### Lease Liabilities

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB33.6 million, RMB39.3 million, RMB35.6 million and RMB30.7 million, respectively, in relation to the corresponding lease liabilities.

## FINANCIAL INFORMATION

Except as discussed above, we did not have material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingents liabilities as of April 30, 2024. Our Directors confirm that there have been no material adverse change in our indebtedness since April 30, 2024 and up to the Latest Practicable Date.

### CONTINGENT LIABILITIES

As of June 21, 2024, we did not have any material contingent liabilities.

### CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures of RMB19.1 million, RMB28.8 million and RMB26.9 million in 2021, 2022 and 2023, respectively, mainly in connection with purchase of property, plant and equipment.

The following table sets forth a breakdown of our capital expenditures for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment	<u>19,123</u>	<u>28,819</u>	<u>26,907</u>

We expect to fund our future capital expenditures with cash generated from our operating activities. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

### CONTRACTUAL OBLIGATIONS

We did not have any material commitments as at December 31, 2021, 2022 and 2023.

### OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we had entered into certain related party transactions, the amount of which were at a relatively low level. In 2021, 2022 and 2023, our purchase of goods from a related party primarily of low consumables, amounted to RMB0.6 million, RMB0.4 million and RMB0.5 million, respectively and our sales of goods to related parties amounted to RMB41,000, RMB35,000 and RMB54,000, respectively during the same periods.

In addition, certain related parties of the Group have provided guarantees in connection with interest-bearing bank borrowings up to RMB64.5 million as of December 31, 2023. The guarantees will be released upon [REDACTED]. See Note 34 to the Accountants’ Report in Appendix I to this document for more details. Our Directors confirm that, all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favorable than those available to independent third parties and were fair and reasonable and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

### DIVIDENDS

We declared and paid dividend of RMB150.1 million in 2021 and a dividend of RMB300.3 million in 2023 respectively. See “Note 11 to the Accountants’ Report included in Appendix I” to this document for more details. In March 2024, we declared a dividend of RMB347.9 million, which was fully paid in April 2024. In May 2024, we declared a dividend of RMB296.6 million, among which, RMB20.0 million has been paid in June, 2024 and the rest is expected to be fully paid before the completion of the [REDACTED]. As of the Latest Practicable Date, we did not have a fixed dividend distribution ratio.

After completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important.

### [REDACTED]

[REDACTED] consist of professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] to consist of approximately HK\$[REDACTED] in [REDACTED] fees and HK\$[REDACTED] in non-[REDACTED] fees, comprising (a) fees and expenses of legal advisors and accountants of approximately HK\$[REDACTED] and (b) other fees and expenses of approximately HK\$[REDACTED]. Among the total [REDACTED], approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK\$[REDACTED] will be expensed in our consolidated statements of comprehensive income.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,		
	2021	2022	2023
Return on equity <sup>(1)</sup>	35.9%	35.6%	31.7%
Return on total assets <sup>(2)</sup>	22.9%	24.9%	23.3%
Current ratio <sup>(3)</sup>	2.8 times	3.3 times	3.1 times

*Notes:*

- (1) Return on equity was calculated based on net profit of the respective year/period, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (2) Return on total assets was calculated based on net profit of the respective year/period, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (3) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.

#### Return on Equity

Our return on equity remained relatively stable at 35.9%, 35.6% and 31.7% as of December 31, 2021, 2022 and 2023, respectively.

#### Return on Total Assets

Our return on assets remained relatively stable at 22.9%, 24.9% and 23.3% as of December 31, 2021, 2022 and 2023, respectively.

#### Current Ratio

Our current ratio remained relatively stable at 2.8 times, 3.3 times and 3.1 times as of December 31, 2021, 2022 and 2023, respectively.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

#### Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk for trade receivables from third parties as our customer bases are dispersed. In addition, receivable balances are monitored on an ongoing basis. See Note 37 to the Accountants' Report in Appendix I to this document for more details.

#### Liquidity Risk

We monitor the risk in relation to shortage of funds through using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets, such as trade receivables and projected cash flows from operations.

## FINANCIAL INFORMATION

Our objective is to maintain a balance between the consistency and flexibility of financing activities through the interest-bearing bank borrowings and lease liabilities.

The following tables show the maturity profile of our financial liabilities, based on contractual undiscounted payments, as of December 31, 2021, 2022 and 2023, respectively:

	Within one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Two to three years <i>RMB'000</i>	Over three years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As of December 31, 2021</b>					
Trade payables	38,273	–	–	–	38,273
Financial liabilities included in other payables and accruals	112,949	–	–	–	112,949
Lease liabilities	15,974	11,247	7,545	1,051	35,817
<b>Total</b>	<b>167,196</b>	<b>11,247</b>	<b>7,545</b>	<b>1,051</b>	<b>187,039</b>

	Within one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Two to three years <i>RMB'000</i>	Over three years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As of December 31, 2022</b>					
Trade payables	36,096	–	–	–	36,096
Financial liabilities included in other payables and accruals	123,105	–	–	–	123,105
Lease liabilities	18,200	12,094	3,302	8,225	41,821
<b>Total</b>	<b>177,401</b>	<b>12,094</b>	<b>3,302</b>	<b>8,225</b>	<b>201,022</b>

	Within one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Two to three years <i>RMB'000</i>	Over three years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As of December 31, 2023</b>					
Trade payables	35,521	–	–	–	35,521
Financial liabilities included in other payables and accruals	124,950	–	–	–	124,950
Lease liabilities	19,745	8,893	3,529	6,732	38,899
Interest-bearing bank borrowings	85,638	–	–	–	85,638
<b>Total</b>	<b>265,854</b>	<b>8,893</b>	<b>3,529</b>	<b>6,732</b>	<b>285,008</b>



## FINANCIAL INFORMATION

---

[REDACTED]

## **FINANCIAL INFORMATION**

---

[REDACTED]

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that up to the date of this document there had been no material adverse change in our financial, operational or prospects since December 31, 2023, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report in Appendix I to this document.

### **DISCLOSURE REQUIRED UNDER LISTING RULES**

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

---

## FUTURE PLANS AND USE OF [REDACTED]

---

### FUTURE PLANS

See “Business – Our Strategies” for detailed discussion of our future plans.

### USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] commissions and other estimated [REDACTED] payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] (RMB[REDACTED]) from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards the expansion and strengthening of our sales network, which is critical to enhance our market presence and drive the growth of our performances through direct consumer engagement. Specifically:

- (a) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards the establishment and operation of approximately 40 new self-operated stores. These [REDACTED] will be used for (i) initial capital expenditures for new self-operated stores. Such capital expenditures include lease payments, design and renovation costs and inventory procurement, recruitment, training and retention of store staff, and day-to-day operations to ensure high-quality customer service and operational efficiency, and (ii) renovation and upgrading of existing self-operated stores to maintain competitiveness and align with evolving consumer preferences;

We expect this to enhance our operational footprint and directly contribute to an increase in consumer reach and satisfaction. By investing in self-operated stores, we strive to maintain control over our brand image and improve the shopping experience for end consumers, thereby fostering stronger consumer loyalty and driving sales growth;

- (b) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards providing enhanced product and service support to both existing and new franchisees. Specifically, we intend to use the [REDACTED] for (i) upgrading and expanding the exhibition hall at our headquarters, introducing a wider array of product lines and categories and recruiting more exhibition hall service personnel to enhance the attractiveness and service experience for franchisees; and (ii) further strengthening our franchise business, including but not limited to (a) expanding the teams responsible for franchise business development, training and supervision and (b) increasing the scale of marketing and promotional activities aimed at attracting new franchisees.

We expect these plans to strengthen our support infrastructure for franchisees, thereby improving the overall franchisee experience and operational efficiency, fostering stronger franchisee loyalty and contributing to the sustained growth and success of our franchise network; and

---

## FUTURE PLANS AND USE OF [REDACTED]

---

- (c) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated to develop and upgrade our online sales channels. Specifically, the [REDACTED] will be used for (i) enhancements to our existing online stores on major e-commerce platforms, including improvement of online store webpage design, product supply, after-sales service, warehousing logistics and office equipment; and (ii) establish collaboration with new e-commerce platforms to expand our online presence.

We expect these plans to enhance our online sales capabilities, improve shopping experience for end consumers and drive growth in our online sales.

- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards strengthening our brand in order to enhance our brand’s market visibility. Specifically:
  - (a) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards enhancing our marketing and promotional activities on various e-commerce platforms and media channels. The [REDACTED] will be used to (i) increase marketing promotions on various e-commerce platforms, using measures such as advertising placements and promotional activities to increase online store visits; (ii) engage in sponsorship of TV shows, collaborations with celebrities and KOLs; and (iii) enhance our presence on new media platforms like Bilibili, Douyin and Xiaohongshu by creating high-quality content that aligns with our brand’s core values, thereby reaching a broader audience and engaging with potential customers; and
  - (b) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards the enhancement of offline channel promotions. Specifically, the funds are expected to be utilized for (i) advertisements in high-traffic areas such as airports, landmark buildings and elevators to increase offline brand exposure; (ii) recruiting additional sales and marketing personnel to develop and maintain business relationships with existing customers and identify new sales opportunities; and (iii) organizing brand events in popular commercial areas, such as Chinese trendy culture events and establishment of branded experience stores to foster effective interaction and engagement with end consumers.
- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards improving our product offering and enhancing our product design and development capabilities. Specifically:
  - (a) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards enriching our product matrix and enhancing our product competitiveness. The funds are expected to be utilized under the collaborative product design and development model by introducing new product series with advanced craftsmanship techniques and new trend design;

---

## FUTURE PLANS AND USE OF [REDACTED]

---

- (b) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards the strengthening of our proprietary product design and development team, including (i) upgrading our product design and development center, procuring raw materials, equipment and software to enhance our proprietary product design and development capabilities; and (ii) recruiting professionals with extensive experience in jewelry design and development; and
  - (c) Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated towards (i) initiating cross-sector collaborations with well-known IPs to increase product recognition among younger consumers, and (ii) partnering with renowned domestic and international jewelry designers to introduce more products. Through these initiatives, we aim to diversify our product offerings and appeal to a broader end consumer base, particularly targeting the preferences of younger demographics and leveraging the creativity and reputation of established designers.
- Approximately [REDACTED]%, or RMB[REDACTED], of the [REDACTED] will be allocated to provide funding for working capital and general corporate purposes.

To the extent that the [REDACTED] from the [REDACTED] are either more or less than expected, we will adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may deposit such funds into interest-bearing bank accounts for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would hinder the development of any of our projects, or the occurrence of force majeure events, the Directors will carefully evaluate the situation and may reallocate the [REDACTED] from the [REDACTED]. We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED] in accordance with the Listing Rules.

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**



**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**



**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

## STRUCTURE OF THE [REDACTED]

---

[REDACTED]

## STRUCTURE OF THE [REDACTED]

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]



## STRUCTURE OF THE [REDACTED]

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]

## STRUCTURE OF THE [REDACTED]

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]



## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]



## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]

## HOW TO APPLY FOR [REDACTED]

---

[REDACTED]



## APPENDIX I

## ACCOUNTANTS’ REPORT

*The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

*[To insert the firm’s letterhead]*

### ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHOU LIU FU JEWELLERY CO., LTD, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

#### INTRODUCTION

We report on the historical financial information of Zhou Liu Fu Jewellery Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[•] to I-[•], which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] 2024 (the “**Document**”) in connection with the [REDACTED] of the shares of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

#### DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

## APPENDIX I

## ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

#### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[•] have been made.

#### Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[•]

*Certified Public Accountants*

Hong Kong

[•] 2024

## APPENDIX I

## ACCOUNTANTS’ REPORT

### I. HISTORICAL FINANCIAL INFORMATION

#### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	2,783,056	3,101,690	5,149,601
Cost of sales		<u>(1,808,493)</u>	<u>(1,901,602)</u>	<u>(3,798,706)</u>
Gross profit		974,563	1,200,088	1,350,895
Other income and gains	5	29,089	55,262	52,619
Selling and marketing expenses		(325,983)	(394,315)	(469,552)
Administrative expenses		(99,270)	(98,256)	(92,439)
Research and development expenses		(9,844)	(9,462)	(9,935)
Other expenses, net		(9,966)	(8,179)	3,289
Finance costs	7	<u>(1,476)</u>	<u>(2,144)</u>	<u>(2,446)</u>
PROFIT BEFORE TAX	6	557,113	742,994	832,431
Income tax expense	10	<u>(131,716)</u>	<u>(167,753)</u>	<u>(172,737)</u>
PROFIT FOR THE YEAR		<u>425,397</u>	<u>575,241</u>	<u>659,694</u>
Attributable to:				
Owners of the Company		425,687	575,241	659,694
Non-controlling interests		<u>(290)</u>	<u>–</u>	<u>–</u>
		<u>425,397</u>	<u>575,241</u>	<u>659,694</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted (RMB)	12	<u>1.16</u>	<u>1.57</u>	<u>1.80</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PROFIT FOR THE YEAR	<u>425,397</u>	<u>575,241</u>	<u>659,694</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>–</u>	<u>(3)</u>	<u>129</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>–</u>	<u>(3)</u>	<u>129</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>425,397</u></u>	<u><u>575,238</u></u>	<u><u>659,823</u></u>
Attributable to:			
Owners of the Company	425,687	575,238	659,823
Non-controlling interests	<u>(290)</u>	<u>–</u>	<u>–</u>
	<u><u>425,397</u></u>	<u><u>575,238</u></u>	<u><u>659,823</u></u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at 31 December</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	54,048	65,482	70,792
Investment properties	14	5,960	5,574	5,188
Right-of-use assets	15(a)	32,070	153,978	149,584
Other intangible assets	16	3,395	3,369	3,815
Debt investments	20	–	168,244	337,484
Deferred tax assets	26	11,520	14,107	15,412
Prepayments, other receivables and other assets	19	4,936	15,112	9,032
		<u>111,929</u>	<u>425,866</u>	<u>591,307</u>
<b>CURRENT ASSETS</b>				
Inventories	17	1,246,421	1,614,741	1,912,683
Trade receivables	18	207,497	231,072	238,382
Prepayments, other receivables and other assets	19	39,219	95,676	144,767
Cash and bank balances	21	421,277	217,480	188,064
		<u>1,914,414</u>	<u>2,158,969</u>	<u>2,483,896</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	22	38,273	36,096	35,521
Other payables and accruals	23	194,576	184,020	201,207
Interest-bearing bank borrowings	25	–	–	84,123
Contract liabilities	24	381,414	353,122	381,174
Lease liabilities	15(b)	14,689	17,453	18,062
Tax payable		55,847	67,103	73,527
		<u>684,799</u>	<u>657,794</u>	<u>793,614</u>
<b>NET CURRENT ASSETS</b>		<u>1,229,615</u>	<u>1,501,175</u>	<u>1,690,282</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,341,544</u>	<u>1,927,041</u>	<u>2,281,589</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

		As at 31 December		
		2021	2022	2023
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	15(b)	18,907	21,802	17,510
Other payables and accruals	23	<u>200</u>	<u>200</u>	<u>455</u>
Total non-current liabilities		<u>19,107</u>	<u>22,002</u>	<u>17,965</u>
NET ASSETS				
		<u>1,322,437</u>	<u>1,905,039</u>	<u>2,263,624</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	27	366,174	366,174	366,174
Reserves	29	<u>956,263</u>	<u>1,538,865</u>	<u>1,897,450</u>
Total equity		<u>1,322,437</u>	<u>1,905,039</u>	<u>2,263,624</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent							
	Share capital RMB'000 (note 27)	Share premium and other reserve* RMB'000 (note 29)	Share-based payment reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	366,174	60,064	19,028	98,798	498,441	1,042,505	4,236	1,046,741
Profit for the year	-	-	-	-	425,687	425,687	(290)	425,397
Acquisition of non-controlling interests	-	(1,424)	-	-	-	(1,424)	(3,946)	(5,370)
Transfer from retained profits	-	-	-	33,822	(33,822)	-	-	-
Dividend declared (note 11)	-	-	-	-	(150,131)	(150,131)	-	(150,131)
Share-based payments	-	-	5,800	-	-	5,800	-	5,800
At 31 December 2021	366,174	58,640	24,828	132,620	740,175	1,322,437	-	1,322,437



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Year ended 31 December 2022**

	Attributable to owners of the parent						
	Share capital RMB'000 (note 27)	Share premium and other reserve* RMB'000 (note 29)	Share-based payment reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2022	366,174	58,640	24,828	–	132,620	740,175	1,322,437
Profit for the year	–	–	–	–	–	575,241	575,241
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	–	(3)	–	–	(3)
Share-based payments	–	–	7,364	–	–	–	7,364
Transfer from retained profits	–	–	–	–	38,990	(38,990)	–
At 31 December 2022	366,174	58,640	32,192	(3)	171,610	1,276,426	1,905,039

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital RMB'000 (note 27)	Share premium and other reserve* RMB'000 (note 29)	Share-based payment reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2023	366,174	58,640	32,192	(3)	171,610	1,276,426	1,905,039
Profit for the year	-	-	-	-	-	659,694	659,694
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	129	-	-	129
Total comprehensive income for the year	-	-	-	129	-	-	129
Dividend declared (note 11)	-	-	-	-	-	(300,263)	(300,263)
Share-based payments	-	-	(975)	-	-	-	(975)
Transfer from retained profits	-	-	-	-	11,477	(11,477)	-
At 31 December 2023	366,174	58,640	31,217	126	183,087	1,624,380	2,263,624

\* These reserve accounts comprise the consolidated reserves of RMB956,263,000, RMB1,538,865,000 and RMB1,897,450,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, respectively.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2021 RMB’000	2022 RMB’000	2023 RMB’000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		557,113	742,994	832,431
Adjustments for:				
Interest income	5	(3,844)	(10,920)	(16,451)
Investment income	5	(1,620)	(738)	–
Finance costs	7	1,476	2,144	2,446
Loss/(gain) on disposal of items of property, plant and equipment and other assets	5	250	(76)	(543)
Impairment/(reversal of impairment) of trade receivables	18	9,273	7,458	(4,441)
Impairment of prepayments, other receivables and other assets	19	40	105	575
Write-down of inventories to net realisable value	17	8,028	7,480	12,610
Depreciation of property, plant and equipment	13	14,419	17,108	21,139
Depreciation of investment properties	14	386	386	386
Depreciation of right-of-use assets	15(a)	13,254	19,184	24,708
Amortisation of other intangible assets and other assets		4,335	4,052	8,255
Covid-19-related rent concession from a lessor		(17)	(314)	–
Equity-settled share-based payments	28	5,800	7,364	(975)
		<u>608,893</u>	<u>796,227</u>	<u>880,140</u>
Increase in inventories		(147,596)	(375,800)	(310,552)
Increase in trade receivables		(65,971)	(31,033)	(2,869)
Decrease/(increase) in prepayments, other receivables and other assets		1,622	(52,582)	(46,178)
Increase in restricted deposits		(155)	(9,450)	(436)
Decrease in trade payables		(52,682)	(2,177)	(575)
Increase/(decrease) in other payables and accruals		46,931	(7,332)	18,864
Increase/(decrease) in contract liabilities		221,218	(28,292)	28,052
		<u>612,260</u>	<u>289,561</u>	<u>566,446</u>
Cash generated from operations		612,260	289,561	566,446
Interest received		3,844	8,500	7,623
Income tax paid		(125,416)	(159,124)	(170,186)
		<u>490,688</u>	<u>138,937</u>	<u>403,883</u>
Net cash flows from operating activities		490,688	138,937	403,883

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	Notes	Year ended 31 December		
		2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of items of property, plant and equipment and other assets		82	238	1,068
Proceeds from maturity of financial assets at fair value through profit or loss		621,717	245,782	–
Purchases of financial assets at fair value through profit or loss		(620,000)	(245,000)	–
Proceeds from disposal of certificates of deposits and time deposits		50,000	740,000	440,000
Purchases of certificates of deposits and time deposits		(50,000)	(906,012)	(600,413)
Proceeds of deposit for leasehold land acquisition		–	17,260	–
Payments of deposit for leasehold land acquisition		–	(17,260)	–
Purchases of items of property, plant and equipment, leasehold land and other assets		<u>(23,281)</u>	<u>(163,364)</u>	<u>(33,541)</u>
Net cash flows used in investing activities		<u>(21,482)</u>	<u>(328,356)</u>	<u>(192,886)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New bank loans		–	–	84,033
Acquisition of non-controlling interests		(5,370)	–	–
Payment of lease deposits		(657)	(1,633)	(731)
Payments of lease liabilities	15(b)	(14,635)	(19,935)	(23,378)
Payments of [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Dividends paid		(299,226)	–	(300,263)
Interest paid		<u>–</u>	<u>–</u>	<u>(452)</u>
Net cash flows used in financing activities		<u>(321,506)</u>	<u>(24,013)</u>	<u>(240,791)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		147,700	(213,432)	(29,794)
Cash and cash equivalents at beginning of the year		273,377	421,077	207,642
Effect of foreign exchange rate changes, net		<u>–</u>	<u>(3)</u>	<u>130</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>				
	21	<u>421,077</u>	<u>207,642</u>	<u>177,978</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows				
	21	<u>421,077</u>	<u>207,642</u>	<u>177,978</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>As at 31 December</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>				
Investments in subsidiaries	<i>1</i>	95,420	100,420	104,769
Property, plant and equipment	<i>13</i>	22,708	29,837	26,693
Right-of-use assets	<i>15(a)</i>	28,376	143,221	138,806
Other intangible assets	<i>16</i>	2,929	2,871	3,155
Debt investments	<i>20</i>	–	168,244	337,484
Deferred tax assets	<i>26</i>	10,230	11,832	12,258
Prepayments, other receivables and other assets	<i>19</i>	4,894	14,543	7,204
		<u>164,557</u>	<u>470,968</u>	<u>630,369</u>
<b>CURRENT ASSETS</b>				
Inventories	<i>17</i>	885,245	988,372	1,092,710
Trade receivables	<i>18</i>	165,675	147,472	108,614
Due from subsidiaries	<i>34</i>	236,837	443,376	670,515
Prepayments, other receivables and other assets	<i>19</i>	15,706	44,686	64,810
Cash and bank balances	<i>21</i>	382,152	190,005	97,575
		<u>1,685,615</u>	<u>1,813,911</u>	<u>2,034,224</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	<i>22</i>	23,383	15,766	21,383
Due to subsidiaries	<i>34</i>	90,027	206,038	431,779
Other payables and accruals	<i>23</i>	164,641	137,951	138,488
Interest-bearing bank borrowings	<i>25</i>	–	–	64,634
Contract liabilities	<i>24</i>	344,968	296,158	293,156
Lease liabilities	<i>15(b)</i>	12,340	11,412	11,810
Tax payable		45,968	51,727	50,033
		<u>681,327</u>	<u>719,052</u>	<u>1,011,283</u>
<b>NET CURRENT ASSETS</b>		<u>1,004,288</u>	<u>1,094,859</u>	<u>1,022,941</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>1,168,845</u></u>	<u><u>1,565,827</u></u>	<u><u>1,653,310</u></u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

		<b>As at 31 December</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	<i>15(b)</i>	17,334	17,054	13,043
Other payables and accruals	<i>23</i>	<u>200</u>	<u>200</u>	<u>455</u>
Total non-current liabilities		<u>17,534</u>	<u>17,254</u>	<u>13,498</u>
<b>NET ASSETS</b>		<u><u>1,151,311</u></u>	<u><u>1,548,573</u></u>	<u><u>1,639,812</u></u>
<b>EQUITY</b>				
Equity attributable to owners of the Company				
Share capital	<i>27</i>	366,174	366,174	366,174
Reserves	<i>29</i>	<u>785,137</u>	<u>1,182,399</u>	<u>1,273,638</u>
Total equity		<u><u>1,151,311</u></u>	<u><u>1,548,573</u></u>	<u><u>1,639,812</u></u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

Zhou Liu Fu Jewellery Co., Ltd. (the “**Company**”) is a company established in the People’s Republic of China (“**PRC**”) with limited liability. The address of the registered office of the Company is located at Room 2301-2409, Zhonguan Business Building, No. 3031 Taibai Road, Dongxiao Street, Dongxiao Community, Luohu District, Shenzhen, Guangdong, PRC.

During the Relevant Periods, the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) were the design, manufacture and sale of jewelry and the provision of franchise and related services.

At the end of the Relevant Periods, the Company had direct or indirect interests in its major subsidiaries, the Group’s subsidiaries registered in the PRC are limited liability companies while others (incorporated in Hong Kong) are private limited liability companies, which are set out below:

Name	Place and date of registration and commencement of business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhou Liu Fu E-Commerce Co., Ltd. 周六福電子商務有限公司* (note a)	PRC/ Chinese Mainland, 25 May 2017	RMB50,000,000	100%	–	Sales to E-commerce platforms
Shenzhen Zhou Liu Fu Retail E-Commerce Co., Ltd. 深圳市周六福零售電商有限公司* (note a)	PRC/ Chinese Mainland, 30 May 2022	RMB20,000,000	–	100%	Sales under the self-operated e-commerce stores
Zhou Liu Fu Jewellery Sales (Chongqing) Co., Ltd. 周六福珠寶銷售(重慶)有限公司* (note a)	PRC/ Chinese Mainland, 17 Oct 2019	RMB10,000,000	100%	–	Product sales and brand operations under the franchise business
Zhou Liu Fu Jewellery (Chongqing) Co., Ltd. 周六福珠寶(重慶)有限公司* (note a)	PRC/ Chinese Mainland, 22 Mar 2021	RMB10,000,000	100%	–	Sales of products in self-operated stores

\* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as these entities did not register any official English names.

*Notes:*

- a. No audited financial statements have been prepared for these entities for the years ended 31 December 2021, 2022 and 2023.

#### The Company

The carrying amounts of the Company’s investments in subsidiaries:

	At 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Investments, at cost	95,420	100,420	104,769

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and through other comprehensive income which have been measured at fair value.

#### **Basis of consolidation**

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRSSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>2</sup></i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>2</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>3</sup></i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>4</sup></i>
IFRS 18	<i>Presentation and Disclosure in the Financial Statements<sup>5</sup></i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>5</sup></i>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making a detailed assessment of the impact of these new and revised IFRSSs upon [REDACTED]. So far, the Group considers that these new and revised IFRSSs may result in changes in certain accounting policies and are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of [REDACTED].

### 2.3 MATERIAL ACCOUNTING POLICIES

#### Investments in subsidiaries

In the Company’s statements of financial position, investments in subsidiaries are stated at cost less any impairment losses unless the investment are classified as held for sale (or included in a disposal group) and accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Dividends from a subsidiary are recognised in the Company’s profit or loss when the Company’s right to receive the dividends is established.

#### Fair value measurement

The Group measures its equity investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## APPENDIX I

## ACCOUNTANTS’ REPORT

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## APPENDIX I

## ACCOUNTANTS' REPORT

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Buildings	4.75%
Plant and machinery	9.50%
Motor vehicles	9.50%
Furniture, fixtures and equipment	19.00%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, which comprises its purchase price and any directly attributable costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of investment properties to its residual value over its estimated useful life. The annual rate used for this purpose is 5.94%.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	10 years
----------	----------

### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms, and the estimated useful lives of the assets as follows:

Leasehold land	30 years
Office premises, buildings and stores	1 year to 10 years

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in interest-bearing bank and other borrowings.

### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office premises, buildings and stores (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### ***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

## APPENDIX I

## ACCOUNTANTS’ REPORT

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## APPENDIX I

## ACCOUNTANTS’ REPORT

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### ***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group/Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.



## APPENDIX I

## ACCOUNTANTS’ REPORT

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## APPENDIX I

## ACCOUNTANTS’ REPORT

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

### **Revenue recognition**

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

#### *(a) Sales of goods in self-operated retail stores and E-commerce stores*

The Group operates a chain of self-operated retail stores and E-commerce stores to sell jewelry products. Revenue from the sales of goods is recognised at the point in time when the product is transferred to the customer who takes the product in the self-operated retail stores or sent to the address specified by the customers.

#### *(b) Sale of goods to franchisees and E-Commerce platforms*

The Group sells a range of jewelry products to franchisees and E-Commerce platforms. Revenue from the sales of goods is recognised at the point in time when control of the product is transferred to franchisees. The franchisees and E-Commerce platforms have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products. Control is transferred when the risks of obsolescence and loss have been transferred to the franchisees, and either the franchisees have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

#### *(c) Provision of franchising services, product admission services, supply chain management and others*

The Group enters into franchising agreements that allow franchisees to use the Zhou Liu Fu brand and trademark, open franchise stores and procure products from its authorised suppliers. In exchange, the Group charges an annual fixed franchise service fee and product admission service fee per store for use of the Zhou Liu Fu brand. Revenue from the provision of franchising service and product admission service is recognised over the franchising period on a straight-line basis as the franchisee simultaneously receives and consumes the benefits provided by the Group.

Besides, the Group charges supply chain management fee from authorised suppliers in exchange for the right to provide jewelry products to franchisees, which is calculated based on a pre-set price per gram or a pre-set percentage of the cost of the jewelry purchased by the franchisees from these authorised suppliers. Revenue from the provision of supply chain management fee is recognised at the point in time when the product is certified and transferred to franchisees.

Other related services comprise decoration management fee and other services fee. Revenue from those services is recognised at the point in time when those services are rendered.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *Other income*

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period when appropriate, to the net carrying amount of the financial asset.

### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### **Share-based payments**

The Company operates a stock incentive scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### **Other employee benefits**

#### *Pension schemes*

The employees of the Group’s subsidiaries which mainly operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information. Interim dividends are simultaneously proposed and declared, because the Company’s articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### **Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries operating outside Chinese Mainland are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries operating outside Chinese Mainland are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries operating outside Chinese Mainland which arise throughout the year are translated into RMB at the average exchange rates for the year.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgements**

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

#### ***Identification of a customer and gross versus net revenue recognition***

The Group enters into several concession agreements with certain shopping malls, under which shopping malls invoice end customers and pay the Group sales proceeds from the end customers less concession fees and other fees. The shopping malls act as an agent of the Group rather than the principal in the transaction since the shopping malls do not control the jewelry products before those products are transferred to the customers. The shopping malls are not primarily responsible for fulfilling the promise to provide the jewelry products to the customers, do not have inventory risk before the jewelry products are transferred to the customers or after transfer of control to the customers and have no pricing latitude. Hence, the Group acts as a principal. Revenue is recognised when control of the products has been transferred to the customer, and the concession fees and other fees to the shopping mall are charged to “selling and marketing expenses”.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### ***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivable. The provision rates are based on trade receivables aging for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 18 to the Historical Financial Information.

#### ***Net realisable value of inventories***

Net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories is given in note 17 to the Historical Financial Information.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *Share-based payments*

The Group makes the best estimate of the number of exercisable equity instruments at the end of the reporting period during the waiting period based on the fair value on the grant date and the latest subsequent information obtained, and includes the services obtained in the current period in relevant costs or expenses. The Group has estimated the expected future cash flows of the Group to evaluate the fair value of the equity instruments on the grant date, and also estimated the number of exercisable equity instruments.

### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the Historical Financial Information.

#### **4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### **Geographical information**

The major operating entities are domiciled in the Chinese Mainland. Most of the revenues of the Group from external customers are generated in the Chinese Mainland. Besides, most of the assets of the Group are located in the Chinese Mainland. Thus, no geographic information is presented.

### **Information about major customers**

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for each of the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 5. REVENUE, OTHER INCOME AND GAINS

#### Revenue

An analysis of the Group’s revenue is as follows:

#### *Revenue from contracts with customers*

##### (i) *Disaggregated revenue information*

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
<b>Types of goods or services</b>			
<i>Sales of goods</i>			
Gold jewelry	1,262,065	1,664,470	3,722,926
Diamond-set jewelry and others	927,013	634,498	591,761
<i>Provision of services</i>	593,978	802,722	834,914
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total revenue from contracts with customers</b>	<b>2,783,056</b>	<b>3,101,690</b>	<b>5,149,601</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	2,189,078	2,298,968	4,314,687
Services transferred at a point in time	130,507	105,732	130,087
Services transferred over time	463,471	696,990	704,827
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total revenue from contracts with customers</b>	<b>2,783,056</b>	<b>3,101,690</b>	<b>5,149,601</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

Most of the revenues of the Group from external customers are generated in the Chinese Mainland.

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Provision of services	150,698	358,931	344,801
Sales of goods	7,180	3,168	2,269
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total</b>	<b>157,878</b>	<b>362,099</b>	<b>347,070</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

(ii) *Performance obligations*

Information about the Group’s performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon taking or delivery of the products in self-operate retail store and E-commerce stores and payments are usually settled in cash, by credit/debit cards, through online payment platforms or through shopping malls. shopping malls usually settle the payment monthly upon checking the sales records agreed by the Group while online platforms settle on daily basis. The performance obligation of sale of goods to franchisees is satisfied upon delivery to their sites and the payment in advance is generally required. The Group may grant a credit period ranging from 15 to 30 days to certain franchisees and a credit period ranging from 30 to 60 days to certain premium or strategically important franchisees. Credit periods extended to these franchisees are subject to a monetary limit. The performance obligation of sale of goods to E-commerce platforms is satisfied upon delivery of the products and the payment is typically settled within 30 days after the invoice date.

Provision of services

The performance obligation of franchising services and product admission services is satisfied over time as services are rendered and payment in advance is generally required. The performance obligation of supply chain management fee is satisfied when the product is certified and transferred to franchisees and the payment is generally settled after five days of invoice issued to authorised suppliers . The performance obligation of other related services is satisfied upon completion of service.

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group does not have variable consideration which is constrained at the end of each of the Relevant Periods.

**Other income and gains**

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other income			
Government grants*	13,270	22,746	19,514
Interest income	3,844	10,920	16,451
Investment income	1,620	738	–
Others	186	242	362
	<u>18,920</u>	<u>34,646</u>	<u>36,327</u>
Total other income			
	<u>18,920</u>	<u>34,646</u>	<u>36,327</u>
Gains			
Compensation for breach of contracts	7,427	10,865	6,190
Compensation for civil litigation	867	9,400	8,961
Gain on disposal of items of property, plant and equipment and other assets	–	76	543
Foreign exchange differences	–	4	–
Others	1,875	271	598
	<u>10,169</u>	<u>20,616</u>	<u>16,292</u>
Total gains			
	<u>10,169</u>	<u>20,616</u>	<u>16,292</u>
Total other income and gains			
	<u><u>29,089</u></u>	<u><u>55,262</u></u>	<u><u>52,619</u></u>

\* Government grants have been received from local government authorities as subsidies by the Group, which mainly represent the subsidies related to operating activities.



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2021 RMB’000	2022 RMB’000	2023 RMB’000
Cost of inventories sold <sup>1</sup>		1,769,357	1,867,707	3,763,485
Cost of services provided		39,136	33,895	35,221
Depreciation of property, plant and equipment <sup>2</sup>	13	14,419	17,108	21,139
Depreciation of right-of-use assets <sup>2</sup>	15(a)	13,254	19,184	24,708
Amortisation of intangible assets and other non-current assets <sup>2</sup>		4,335	4,052	8,255
Lease payments not included in the measurement of lease liabilities	15(c)	16,061	20,063	25,422
Covid-19-related rent concessions from lessors		(17)	(314)	–
Gain on disposal of property, plant and equipment and other assets <sup>3</sup>		–	(76)	(543)
Loss on disposal of property, plant and equipment and other assets <sup>5</sup>		250	–	–
Employee benefit expenses (excluding directors’ and supervisors’ remuneration in note 8):				
Wages and salaries		150,806	178,607	204,915
Pension scheme contributions		8,811	10,766	12,004
Equity-settled share-based payments		5,800	7,364	(975)
Impairment of trade receivables, net <sup>5</sup>	18	9,273	7,458	(4,441)
Impairment of prepayments, other receivables and other assets <sup>5</sup>	19	40	105	575

<sup>1</sup> The amounts disclosed for cost of inventories sold are included the write-down of inventories to net realisable value.

<sup>2</sup> The depreciation of property, plant and equipment and right-of-use assets and the amortisation of intangible assets and other non-current assets are included in “Selling and marketing expenses”, “Administrative expenses” and “research and development expenses” in the statement of profit or loss, respectively.

<sup>3</sup> The amounts are included in “Other income and gains” in the statement of profit or loss.

<sup>4</sup> The amounts are included in “Administrative expenses” in the statement of profit or loss.

<sup>5</sup> The amounts are included in “Other expenses” in the statement of profit or loss.

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Interest on bank loans	–	–	542
Interest on lease liabilities	1,476	2,144	1,904
Total	1,476	2,144	2,446

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

The remuneration of each of these directors and supervisors as recorded in the financial statements of the Group is set out below:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Fees	158	158	113
Salaries, allowances and benefits in kind	2,891	3,385	3,458
Pension scheme contributions	143	163	178
Equity-settled share-based payments	3,209	2,540	474
	<u>6,401</u>	<u>6,246</u>	<u>4,223</u>
Total	<u>6,401</u>	<u>6,246</u>	<u>4,223</u>

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors as recorded in the financial statements of the Group is set out below:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Independent non-executive directors:			
Mr. Li Shigang*	79	79	33
Mr. Zhang Zhihong*	79	79	80
	<u>158</u>	<u>158</u>	<u>113</u>
Total	<u>158</u>	<u>158</u>	<u>113</u>

\* Mr. Li Shigang and Mr. Zhang Zhihong were appointed on 25 October 2021.

There were no other emoluments payable to the independent non-executive directors during each of the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

(b) Executive directors and the chief executive

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Share- based payments <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2021					
Executive directors:					
Mr. Li Weizhu ( <i>Chief executive</i> )*	–	527	34	1,911	2,472
Mr. Li Weipeng*	–	527	32	–	559
Mr. Xie Mingyu*	–	1,155	39	1,173	2,367
Total	–	2,209	105	3,084	5,398
Year ended 31 December 2022					
Executive directors:					
Mr. Li Weizhu ( <i>Chief executive</i> )*	–	529	40	1,244	1,813
Mr. Li Weipeng*	–	529	37	–	566
Mr. Xie Mingyu*	–	1,432	45	1,173	2,650
Total	–	2,490	122	2,417	5,029
Year ended 31 December 2023					
Mr. Li Weizhu ( <i>Chief executive</i> )*	–	497	49	695	1,241
Mr. Li Weipeng*	–	552	43	–	595
Mr. Xie Mingyu*	–	1,472	46	(195)	1,323
Total	–	2,521	138	500	3,159

\* Mr. Li Weizhu, Mr. Li Weipeng and Mr. Xie Mingyu were appointed as executive directors on 25 October 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

(c) Supervisors

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Share- based payments <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2021					
Ms. Li Caiping*	–	340	19	77	436
Ms. Lin Liuzhi*	–	197	11	48	256
Mr. Ni Xuepeng*	–	145	8	–	153
Total	–	682	38	125	845
Year ended 31 December 2022					
Ms. Li Caiping*	–	408	20	76	504
Ms. Lin Liuzhi*	–	272	12	47	331
Mr. Ni Xuepeng*	–	215	9	–	224
Total	–	895	41	123	1,059
Year ended 31 December 2023					
Ms. Li Caiping*	–	418	19	(16)	421
Ms. Lin Liuzhi*	–	302	12	(10)	304
Mr. Ni Xuepeng*	–	217	9	–	226
Total	–	937	40	(26)	951

\* Ms. Li Caiping, Ms. Lin Liuzhi and Mr. Ni Xuepeng were appointed as supervisors on 25 October 2021.

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2021, 2022 and 2023 included two, two and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining highest paid employees who are neither a director, chief executive nor a supervisor of the Company for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, allowances and benefits in kind	2,804	2,812	3,988
Pension scheme contributions	76	75	56
Equity-settled share-based payments	1,015	1,012	(41)
Total	3,895	3,899	4,003

## APPENDIX I

## ACCOUNTANTS’ REPORT

The number of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2021	2022	2023
RMB500,001 to RMB1,000,000	–	1	–
RMB1,000,001 to RMB1,500,000	2	1	3
RMB1,500,001 to RMB2,000,000	1	1	–
Total	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no highest paid employees waived or agree to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

### 10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

#### PRC Corporate Income Tax

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the Company and certain subsidiaries which operate in Chinese Mainland were subject to CIT Law at a rate of 25% on the taxable income during each of the Relevant Periods.

Zhou Liu Fu E-Commerce Co., Ltd., is qualified as a modern service cooperation in the Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. Accordingly, the subsidiary was entitled to a preferential corporate income tax rate of 15% during the Relevant Periods.

Zhou Liu Fu Jewellery Sales (Chongqing) Co., Ltd., and Zhou Liu Fu Jewellery (Chongqing) Co., Ltd., are qualified enterprises in Western Development of China by the relevant tax authorities. Accordingly, these subsidiaries were entitled to a preferential corporate income tax rate of 15% during the Relevant Periods.

Shenzhen Xiaoyudi Information Technology Co., Ltd., was qualified as software development enterprise in the industry. Accordingly, the subsidiary was exempted from corporate income tax in 2021, and was entitled to a preferential corporate income tax of 12.5% in 2022 and 2023.

Certain subsidiaries are qualified as small low-profit entities by the relevant tax authorities, These subsidiaries were subject to a preferential income tax rate of 2.5%, 5% or 10% during the Relevant Periods.

#### Hong Kong Profits Tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, while a subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HKD 2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits are taxed at 16.5% during each of the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

The income tax expenses for the Relevant Periods are as follows:

	Year ended 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Current	134,741	170,340	174,042
Deferred ( <i>note 26</i> )	(3,025)	(2,587)	(1,305)
Total	<u>131,716</u>	<u>167,753</u>	<u>172,737</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Profit before tax	<u>557,113</u>	<u>742,994</u>	<u>832,431</u>
Tax at the statutory tax rate	139,278	185,749	208,108
Effect of preferential tax rates	(10,884)	(21,863)	(33,146)
Expenses not deductible for tax	863	919	1,210
Equity-settled share-based payments not deductible for tax	1,450	1,841	(244)
Additional deduction of research and development expenses	–	(597)	(777)
Adjustments in respect of current tax of previous years	98	–	(132)
Tax losses utilised from previous years	(2)	(24)	–
Deductible temporary differences and tax losses not recognised	914	1,933	(2,266)
Effect of tax rate changes on deferred tax assets	(1)	(205)	(14)
Income not subject to tax	<u>–</u>	<u>–</u>	<u>(2)</u>
Tax charge at the Group’s effective rate	<u>131,716</u>	<u>167,753</u>	<u>172,737</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 11. DIVIDENDS

The declared dividends which were approved by the Company’s shareholders during the Relevant Periods are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Dividends declared	150,131	–	300,263

Pursuant to the shareholder’s resolution dated on 16 March 2024 and 24 May 2024, dividends of RMB347,865,000 and RMB296,601,000 were declared respectively, RMB367,865,000 of which was paid before June 2024.

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the each of the Relevant Periods attributable to ordinary equity holders of the Company, and the weighted average numbers of ordinary shares of 366,174,073, 366,174,073 and 366,174,073 during the Relevant Periods, respectively.

No adjustment has been made to the basic earnings per share amounts presented for each of the Relevant Periods for a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Earnings:			
Profit attributable to ordinary equity holders of the Company	425,687	575,241	659,694

	Number of shares		
	Year ended 31 December		
	2021	2022	2023
Shares:			
Weighted average number of ordinary shares in issue during the year	366,174,073	366,174,073	366,174,073

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 13. PROPERTY, PLANT AND EQUIPMENT

**Group**

	Leasehold improvements <i>RMB'000</i>	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2021</b>						
At 1 January 2021:						
Cost	21,033	26,029	2,060	3,303	14,212	66,637
Accumulated depreciation	(8,065)	(647)	(892)	(1,087)	(6,226)	(16,917)
Net carrying amount	<u>12,968</u>	<u>25,382</u>	<u>1,168</u>	<u>2,216</u>	<u>7,986</u>	<u>49,720</u>
At 1 January 2021, net of accumulated depreciation	12,968	25,382	1,168	2,216	7,986	49,720
Additions	14,238	–	124	1,627	3,134	19,123
Disposal	–	–	(99)	(142)	(135)	(376)
Depreciation provided during the year	(9,681)	(1,541)	(172)	(382)	(2,643)	(14,419)
At 31 December 2021, net of accumulated depreciation	<u>17,525</u>	<u>23,841</u>	<u>1,021</u>	<u>3,319</u>	<u>8,342</u>	<u>54,048</u>
At 31 December 2021:						
Cost	35,271	26,029	1,962	4,727	16,826	84,815
Accumulated depreciation	(17,746)	(2,188)	(941)	(1,408)	(8,484)	(30,767)
Net carrying amount	<u>17,525</u>	<u>23,841</u>	<u>1,021</u>	<u>3,319</u>	<u>8,342</u>	<u>54,048</u>



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	Leasehold improvements <i>RMB'000</i>	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2022</b>						
At 1 January 2022:						
Cost	35,271	26,029	1,962	4,727	16,826	84,815
Accumulated depreciation	(17,746)	(2,188)	(941)	(1,408)	(8,484)	(30,767)
Net carrying amount	<u>17,525</u>	<u>23,841</u>	<u>1,021</u>	<u>3,319</u>	<u>8,342</u>	<u>54,048</u>
At 1 January 2022, net of accumulated depreciation	17,525	23,841	1,021	3,319	8,342	54,048
Additions	24,342	–	–	285	4,192	28,819
Disposal	(88)	–	(129)	–	(60)	(277)
Depreciation provided during the year	(12,127)	(1,537)	(159)	(446)	(2,839)	(17,108)
At 31 December 2022, net of accumulated depreciation	<u>29,652</u>	<u>22,304</u>	<u>733</u>	<u>3,158</u>	<u>9,635</u>	<u>65,482</u>
At 31 December 2022:						
Cost	59,415	26,029	1,760	5,012	20,710	112,926
Accumulated depreciation	(29,763)	(3,725)	(1,027)	(1,854)	(11,075)	(47,444)
Net carrying amount	<u>29,652</u>	<u>22,304</u>	<u>733</u>	<u>3,158</u>	<u>9,635</u>	<u>65,482</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	Leasehold improvements <i>RMB'000</i>	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2023</b>							
At 1 January 2023:							
Cost	59,415	26,029	1,760	5,012	20,710	–	112,926
Accumulated depreciation	(29,763)	(3,725)	(1,027)	(1,854)	(11,075)	–	(47,444)
Net carrying amount	<u>29,652</u>	<u>22,304</u>	<u>733</u>	<u>3,158</u>	<u>9,635</u>	<u>–</u>	<u>65,482</u>
At 1 January 2023, net of accumulated depreciation							
Cost	29,652	22,304	733	3,158	9,635	–	65,482
Additions	17,099	–	–	–	5,166	4,642	26,907
Disposal	(205)	–	(65)	–	(188)	–	(458)
Depreciation provided during the year	(15,849)	(1,537)	(127)	(448)	(3,178)	–	(21,139)
At 31 December 2023, net of accumulated depreciation	<u>30,697</u>	<u>20,767</u>	<u>541</u>	<u>2,710</u>	<u>11,435</u>	<u>4,642</u>	<u>70,792</u>
At 31 December 2023:							
Cost	74,994	26,029	1,639	5,012	24,819	4,642	137,135
Accumulated depreciation	(44,297)	(5,262)	(1,098)	(2,302)	(13,384)	–	(66,343)
Net carrying amount	<u>30,697</u>	<u>20,767</u>	<u>541</u>	<u>2,710</u>	<u>11,435</u>	<u>4,642</u>	<u>70,792</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Company**

	<b>Leasehold improvements</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	16,820	2,060	1,979	12,029	32,888
Accumulated depreciation	(5,701)	(892)	(911)	(5,335)	(12,839)
Net carrying amount	<u>11,119</u>	<u>1,168</u>	<u>1,068</u>	<u>6,694</u>	<u>20,049</u>
At 1 January 2021, net of accumulated depreciation					
	11,119	1,168	1,068	6,694	20,049
Additions	12,087	–	1,623	1,735	15,445
Disposal	–	(192)	(155)	(1,858)	(2,205)
Depreciation provided during the year	(8,297)	(152)	(245)	(1,887)	(10,581)
At 31 December 2021, net of accumulated depreciation	<u>14,909</u>	<u>824</u>	<u>2,291</u>	<u>4,684</u>	<u>22,708</u>
At 31 December 2021:					
Cost	28,907	1,698	3,216	10,594	44,415
Accumulated depreciation	(13,998)	(874)	(925)	(5,910)	(21,707)
Net carrying amount	<u>14,909</u>	<u>824</u>	<u>2,291</u>	<u>4,684</u>	<u>22,708</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<b>Leasehold improvements</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2022</b>					
At 1 January 2022:					
Cost	28,907	1,698	3,216	10,594	44,415
Accumulated depreciation	(13,998)	(874)	(925)	(5,910)	(21,707)
Net carrying amount	<u>14,909</u>	<u>824</u>	<u>2,291</u>	<u>4,684</u>	<u>22,708</u>
At 1 January 2022, net of accumulated depreciation					
depreciation	14,909	824	2,291	4,684	22,708
Additions	15,402	106	8	3,315	18,831
Disposal	(88)	(59)	–	(53)	(200)
Depreciation provided during the year	(9,349)	(137)	(295)	(1,721)	(11,502)
At 31 December 2022, net of accumulated depreciation	<u>20,874</u>	<u>734</u>	<u>2,004</u>	<u>6,225</u>	<u>29,837</u>
At 31 December 2022:					
Cost	44,111	1,694	3,224	13,631	62,660
Accumulated depreciation	(23,237)	(960)	(1,220)	(7,406)	(32,823)
Net carrying amount	<u>20,874</u>	<u>734</u>	<u>2,004</u>	<u>6,225</u>	<u>29,837</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2023</b>						
At 1 January 2023:						
Cost	44,111	1,694	3,224	13,631	–	62,660
Accumulated depreciation	(23,237)	(960)	(1,220)	(7,406)	–	(32,823)
Net carrying amount	<u>20,874</u>	<u>734</u>	<u>2,004</u>	<u>6,225</u>	<u>–</u>	<u>29,837</u>
At 1 January 2023, net of						
accumulated depreciation	20,874	734	2,004	6,225	–	29,837
Additions	2,429	–	–	1,533	4,642	8,604
Disposal	(205)	(65)	–	(292)	–	(562)
Depreciation provided during the year	<u>(8,804)</u>	<u>(127)</u>	<u>(296)</u>	<u>(1,959)</u>	<u>–</u>	<u>(11,186)</u>
At 31 December 2023, net of accumulated depreciation	<u>14,294</u>	<u>542</u>	<u>1,708</u>	<u>5,507</u>	<u>4,642</u>	<u>26,693</u>
At 31 December 2023:						
Cost	45,020	1,573	3,224	13,875	4,642	68,334
Accumulated depreciation	(30,726)	(1,031)	(1,516)	(8,368)	–	(41,641)
Net carrying amount	<u>14,294</u>	<u>542</u>	<u>1,708</u>	<u>5,507</u>	<u>4,642</u>	<u>26,693</u>

#### 14. INVESTMENT PROPERTIES

##### Group

	Year ended 31 December		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Carrying amount at beginning of the year	6,346	5,960	5,574
Depreciation provided during the year	(386)	(386)	(386)
Carrying amount at end of the year	<u>5,960</u>	<u>5,574</u>	<u>5,188</u>

The Group’s investment properties are located in Buxin Road, Luohu District, Shenzhen. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15. The properties are measured initially and subsequently at cost. Depreciation is calculated on the straight-line basis of 16 years. At the end of each of the Relevant Periods, the fair value of the Group’s investment properties are within level 3 hierarchy and approximately RMB5,967,000, RMB5,608,000 and RMB5,215,000, respectively.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 15. LEASES

#### The Group as a lessee

The Group has lease contracts for various office premises, buildings and stores used in its operations and leasehold land. Leases of office premises, buildings and stores generally have lease terms between 1 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

#### (a) Right-of-use assets

The carrying amounts of the Group’s and the Company’s right-of-use assets and the movements during the Relevant Periods are as follows:

#### Group

	<b>Leasehold land</b> <i>RMB’000</i>	<b>Office premises, buildings and stores</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
As at 1 January 2021	–	35,464	35,464
Additions	–	10,613	10,613
Depreciation charge	–	(13,254)	(13,254)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(753)	(753)
	<hr/>	<hr/>	<hr/>
As at 31 December 2021 and 1 January 2022	–	32,070	32,070
Additions	117,213	24,873	142,086
Depreciation charge	(651)	(18,533)	(19,184)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(994)	(994)
	<hr/>	<hr/>	<hr/>
As at 31 December 2022 and 1 January 2023	116,562	37,416	153,978
Additions	2,589	18,274	20,863
Depreciation charge	(3,973)	(20,735)	(24,708)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(549)	(549)
	<hr/>	<hr/>	<hr/>
As at 31 December 2023	<u>115,178</u>	<u>34,406</u>	<u>149,584</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

<b>Company</b>	<b>Office premises and buildings</b> <i>RMB’000</i>	<b>Stores</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
As at 1 January 2021	–	31,830	31,830
Additions	–	8,409	8,409
Depreciation charge	–	(11,109)	(11,109)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(754)	(754)
As at 31 December 2021 and 1 January 2022	–	28,376	28,376
Additions	117,213	12,956	130,169
Depreciation charge	(651)	(13,711)	(14,362)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(962)	(962)
As at 31 December 2022 and 1 January 2023	116,562	26,659	143,221
Additions	2,589	10,246	12,835
Depreciation charge	(3,973)	(13,049)	(17,022)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(228)	(228)
As at 31 December 2023	<u>115,178</u>	<u>23,628</u>	<u>138,806</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

(b) *Lease liabilities*

The carrying amounts of the Group’s lease liabilities and the movements during the Relevant Periods are as follows:

**Group**

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of the year	36,960	33,596	39,255
New leases	10,613	24,873	18,274
Accretion of interest recognised during the year	1,476	2,144	1,904
Covid-19-related rent concessions from lessors	(17)	(314)	–
Payments	(14,635)	(19,935)	(23,378)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(801)	(1,109)	(483)
	<u>33,596</u>	<u>39,255</u>	<u>35,572</u>
Carrying amount at end of the year	<u>33,596</u>	<u>39,255</u>	<u>35,572</u>
Analysed into:			
Current portion	14,689	17,453	18,062
Non-current portion	18,907	21,802	17,510
	<u>18,907</u>	<u>21,802</u>	<u>17,510</u>

**Company**

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of the year	33,210	29,674	28,466
New leases	8,409	12,956	10,246
Accretion of interest recognised during the year	1,289	1,692	1,346
Covid-19-related rent concessions from lessors	(17)	(230)	–
Payments	(12,416)	(14,531)	(15,059)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(801)	(1,095)	(146)
	<u>29,674</u>	<u>28,466</u>	<u>24,853</u>
Carrying amount at end of the year	<u>29,674</u>	<u>28,466</u>	<u>24,853</u>
Analysed into:			
Current portion	12,340	11,412	11,810
Non-current portion	17,334	17,054	13,043
	<u>17,334</u>	<u>17,054</u>	<u>13,043</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.



## APPENDIX I

## ACCOUNTANTS’ REPORT

(c) The amounts recognised in profit or loss in relation to leases are as follows:

**Group**

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	1,476	2,144	1,904
Depreciation charge of right-of-use assets	13,254	19,184	24,708
Expense relating to short-term leases	16,061	20,063	25,422
Covid-19-related rent concessions from lessors	(17)	(314)	–
	<u>30,774</u>	<u>41,077</u>	<u>52,034</u>
Total amount recognised in profit or loss	<u>30,774</u>	<u>41,077</u>	<u>52,034</u>

(d) *Extension and termination options*

The Group has several lease contracts that include extension and termination options but the Group did not expect to exercise such options.

**The Group as a lessor**

The Group leases its properties mostly in Shenzhen under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the Relevant Period was RMB529,000, RMB565,000 and RMB620,000, respectively.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within one year	605	676	305
After one year but within two years	471	305	30
After two years but within three years	–	30	–
	<u>1,076</u>	<u>1,011</u>	<u>335</u>
Total	<u>1,076</u>	<u>1,011</u>	<u>335</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 16. OTHER INTANGIBLE ASSETS

	<b>Group Software RMB’000</b>	<b>Company Software RMB’000</b>
<b>31 December 2021</b>		
At 1 January 2021:		
Cost	4,586	3,778
Accumulated amortisation and impairment	(975)	(715)
Net carrying amount	<u>3,611</u>	<u>3,063</u>
At 1 January 2021, net of accumulated amortisation and impairment	3,611	3,063
Additions	265	265
Amortisation provided during the year	(481)	(399)
At 31 December 2021, net of accumulated amortisation	<u>3,395</u>	<u>2,929</u>
At 31 December 2021:		
Cost	4,851	4,043
Accumulated amortisation	(1,456)	(1,114)
Net carrying amount	<u>3,395</u>	<u>2,929</u>
	<b>Group Software RMB’000</b>	<b>Company Software RMB’000</b>
<b>31 December 2022</b>		
At 1 January 2022:		
Cost	4,851	4,043
Accumulated amortisation and impairment	(1,456)	(1,114)
Net carrying amount	<u>3,395</u>	<u>2,929</u>
At 1 January 2022, net of accumulated amortisation and impairment	3,395	2,929
Additions	505	385
Amortisation provided during the year	(531)	(443)
At 31 December 2022, net of accumulated amortisation	<u>3,369</u>	<u>2,871</u>
At 31 December 2022:		
Cost	5,356	4,428
Accumulated amortisation	(1,987)	(1,557)
Net carrying amount	<u>3,369</u>	<u>2,871</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

	<b>Group Software RMB’000</b>	<b>Company Software RMB’000</b>
<b>31 December 2023</b>		
At 1 January 2023:		
Cost	5,356	4,428
Accumulated amortisation and impairment	(1,987)	(1,557)
Net carrying amount	<u>3,369</u>	<u>2,871</u>
At 1 January 2023, net of accumulated amortisation and impairment		
Additions	1,547	752
Amortisation provided during the year	(1,101)	(468)
At 31 December 2023, net of accumulated amortisation	<u>3,815</u>	<u>3,155</u>
At 31 December 2023:		
Cost	6,903	5,180
Accumulated amortisation	(3,088)	(2,025)
Net carrying amount	<u>3,815</u>	<u>3,155</u>

### 17. INVENTORIES

#### Group

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finished goods	981,517	1,192,504	1,320,324
Raw materials	201,785	230,608	237,759
Work in progress	13,090	6,418	49,510
Goods in transit	50,029	185,211	305,090
Total	<u>1,246,421</u>	<u>1,614,741</u>	<u>1,912,683</u>

#### Company

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finished goods	687,565	690,043	691,583
Raw materials	182,062	203,086	227,677
Work in progress	15,618	6,433	49,525
Goods in transit	–	88,810	123,925
Total	<u>885,245</u>	<u>988,372</u>	<u>1,092,710</u>

Write-downs of inventories to net realisable value amounted to RMB8,028,000, RMB7,480,000 and RMB12,610,000 during the Relevant Periods, respectively. These were included in “Profit before tax” in the consolidated statement of profit or loss for the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 18. TRADE RECEIVABLES

#### Group

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Trade receivables	230,003	261,028	263,519
Impairment	(22,506)	(29,956)	(25,137)
	<u>207,497</u>	<u>231,072</u>	<u>238,382</u>

#### Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Trade receivables	181,645	166,726	125,272
Impairment	(15,970)	(19,254)	(16,658)
	<u>165,675</u>	<u>147,472</u>	<u>108,614</u>

The Group’s trade receivables are usually generated from sales through franchisees, E-commerce platforms and customers whose sales proceeds are collected by shopping malls and online platforms. Shopping malls usually settle the payment monthly upon checking the sales records agreed by the Group while online platforms settle on daily basis. The Group may grants a credit period ranging from 15 to 30 days to certain franchisees and a credit period ranging from 30 to 60 days to certain premium or strategically important franchisees. Credit periods extended to these franchisees are subject to a monetary limit. In addition, the payments of E-commerce platforms are typically settled within 30 days after invoice date. Trade receivables are non-interest-bearing.

The fair value of trade receivables at the end of each of the Relevant Periods approximated to their corresponding carrying amount due to their relatively short maturity terms.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the date of revenue recognition and net of loss allowance for impairment, is as follows:

#### Group

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Within 1 year	204,057	227,399	234,706
1 to 2 years	3,337	3,605	3,510
2 to 3 years	103	68	166
	<u>207,497</u>	<u>231,072</u>	<u>238,382</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Company

	At 31 December		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 year	162,237	144,265	105,554
1 to 2 years	3,335	3,139	2,894
2 to 3 years	103	68	166
Total	<u>165,675</u>	<u>147,472</u>	<u>108,614</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

### Group

	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of the year	13,297	22,506	29,956
Impairment losses, net	9,273	7,458	(4,441)
Amount written-off as uncollectible	(64)	(8)	(378)
At end of the year	<u>22,506</u>	<u>29,956</u>	<u>25,137</u>

### Company

	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of the year	12,511	15,970	19,254
Impairment losses, net	3,464	3,288	(2,545)
Amount written-off as uncollectible	(5)	(4)	(51)
At end of the year	<u>15,970</u>	<u>19,254</u>	<u>16,658</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Group and Company

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, which estimated the financial quality of debtors and historical credit loss experience based on the ageing of the trade receivables, used to reflect current conditions and estimates of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

### Group

#### At 31 December 2021

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	9.22%	24.72%	83.00%	100.00%	9.79%
Gross carrying amount (RMB’000)	224,774	4,433	606	190	230,003
Expected credit losses (RMB’000)	20,717	1,096	503	190	22,506

#### At 31 December 2022

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	9.23%	61.67%	88.69%	100.00%	11.48%
Gross carrying amount (RMB’000)	250,512	9,405	601	510	261,028
Expected credit losses (RMB’000)	23,113	5,800	533	510	29,956

#### At 31 December 2023

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	7.77%	49.66%	87.71%	100.00%	9.54%
Gross carrying amount (RMB’000)	254,483	6,973	1,351	712	263,519
Expected credit losses (RMB’000)	19,777	3,463	1,185	712	25,137

### Company

#### At 31 December 2021

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	8.04%	24.67%	83.00%	100.00%	8.79%
Gross carrying amount (RMB’000)	176,422	4,427	606	190	181,645
Expected credit losses (RMB’000)	14,185	1,092	503	190	15,970

## APPENDIX I

## ACCOUNTANTS’ REPORT

### At 31 December 2022

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	10.09%	39.10%	88.69%	100.00%	11.55%
Gross carrying amount (RMB’000)	160,461	5,154	601	510	166,726
Expected credit losses (RMB’000)	<u>16,196</u>	<u>2,015</u>	<u>533</u>	<u>510</u>	<u>19,254</u>

### At 31 December 2023

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate (%)	11.25%	34.64%	86.19%	100.00%	13.30%
Gross carrying amount (RMB’000)	118,930	4,428	1,202	712	125,272
Expected credit losses (RMB’000)	<u>13,376</u>	<u>1,534</u>	<u>1,036</u>	<u>712</u>	<u>16,658</u>

The change in the ECL rates in the time band of 1 to 2 years were due to individual provisions for certain shopping malls and franchisees. Except that, there was no significant change in the ECL rates for the time band during the Relevant Periods, which was mainly due to the reason that no significant changes in the historical default rates of trade receivables, economic conditions and performance and behaviour of the debtors were noted, based on which the ECL rates are determined.

### 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

#### Group

	At 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
<b>Current</b>			
Value-added tax recoverable	20,240	67,611	99,508
Prepayments	9,668	16,076	26,054
Deposits	8,475	10,957	13,871
Other receivables	999	1,177	2,957
Advance payment of corporate income tax	<u>17</u>	<u>57</u>	<u>2,625</u>
Impairment allowance	<u>(180)</u>	<u>(202)</u>	<u>(248)</u>
Total	<u>39,219</u>	<u>95,676</u>	<u>144,767</u>
<b>Non-current</b>			
Advertising endorsement fee	3,326	14,150	7,075
Prepayments for long-term assets	1,276	823	1,862
Other assets	<u>334</u>	<u>139</u>	<u>95</u>
Total	<u>4,936</u>	<u>15,112</u>	<u>9,032</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Current</b>			
Value-added tax recoverable	2,020	25,182	42,161
Prepayments	7,534	13,302	16,412
Deposits	5,633	5,668	4,688
Other receivables	668	679	1,693
	<u>          </u>	<u>          </u>	<u>          </u>
Impairment allowance	(149)	(145)	(144)
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>15,706</u>	<u>44,686</u>	<u>64,810</u>
<b>Non-current</b>			
Advertising endorsement fee	3,326	14,150	7,075
Prepayments for long-term assets	1,276	254	69
Other assets	292	139	60
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>4,894</u>	<u>14,543</u>	<u>7,204</u>

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

### Group

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
At beginning of the year	449	180	202
Impairment losses	40	105	575
Amount written-off as uncollectible	(309)	(83)	(529)
	<u>          </u>	<u>          </u>	<u>          </u>
At end of the year	<u>180</u>	<u>202</u>	<u>248</u>

### Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
At beginning of the year	428	149	145
Impairment losses	30	59	297
Amount written-off as uncollectible	(309)	(63)	(298)
	<u>          </u>	<u>          </u>	<u>          </u>
At end of the year	<u>149</u>	<u>145</u>	<u>144</u>



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 20. DEBT INVESTMENTS

#### Group and Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Negotiable certificates of deposits	–	168,244	337,484

The Group has negotiable certificates of deposits with an interest rate of 2.80% to 3.55% as at 31 December 2022 and 2023.

### 21. CASH AND BANK BALANCES

#### Group

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash and cash equivalents	421,077	207,642	177,978
Interest receivable on bank deposits	–	188	–
Restricted deposits	200	9,650	10,086
Total	<u>421,277</u>	<u>217,480</u>	<u>188,064</u>
Denominated in:			
RMB	421,277	217,443	182,223
HKD	–	37	1,591
USD	–	–	4,060
EUR	–	–	109
GBP	–	–	81
Total	<u>421,277</u>	<u>217,480</u>	<u>188,064</u>

#### Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash and cash equivalents	382,152	180,517	87,999
Interest receivable on bank deposits	–	188	–
Restricted deposits	–	9,300	9,576
Total	<u>382,152</u>	<u>190,005</u>	<u>97,575</u>
Denominated in:			
RMB	<u>382,152</u>	<u>190,005</u>	<u>97,575</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

The Group deposited RMB200,000, RMB350,000 and RMB510,000 as security deposits for certain online platforms at the end of each of the Relevant Periods. The bank deposit of RMB9,300,000 and RMB 9,576,000 was frozen by judicial authority for lawsuit cases as at 31 December 2022 and 2023.

### 22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

#### Group

	At 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Within 1 year	38,273	35,926	35,521
1 to 2 years	–	170	–
Total	<u>38,273</u>	<u>36,096</u>	<u>35,521</u>

#### Company

	At 31 December		
	2021 RMB’000	2022 RMB’000	2023 RMB’000
Within 1 year	23,383	15,596	21,383
1 to 2 years	–	170	–
Total	<u>23,383</u>	<u>15,766</u>	<u>21,383</u>

Trade payables are non-interest-bearing, and are normally settled on one to three months after the invoice date.

The fair value of trade payables as at the end of each of the Relevant Periods approximated to their carrying amount due to their relatively short maturity terms.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 23. OTHER PAYABLES AND ACCRUALS

#### Group

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Current</b>			
Deposits*	110,212	121,242	118,316
Salary and welfare payables	33,872	27,672	33,668
Other payables	2,733	1,859	6,617
Accruals	19,326	16,191	19,354
Due to related parties	4	4	17
Other tax payable	28,429	17,052	23,235
	<u>194,576</u>	<u>184,020</u>	<u>201,207</u>
<b>Non-current</b>			
Deferred income	200	200	200
Provision	–	–	255
	<u>200</u>	<u>200</u>	<u>455</u>

#### Company

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Current</b>			
Deposits*	102,396	102,456	96,739
Salary and welfare payables	22,902	17,549	17,358
Other payables	2,075	1,117	5,282
Due to related parties	4	4	17
Accruals	14,975	10,743	10,192
Other tax payable	22,289	6,082	8,900
	<u>164,641</u>	<u>137,951</u>	<u>138,488</u>
<b>Non-current</b>			
Deferred income	200	200	200
Provision	–	–	255
	<u>200</u>	<u>200</u>	<u>455</u>

\* The deposits mainly represent the deposits for franchise stores opening, which are received from the franchisees.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 24. CONTRACT LIABILITIES

#### Group

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<i>Advances received from customers</i>			
Provision of services	378,246	349,194	367,133
Sales of goods	3,168	3,928	14,041
	<u>381,414</u>	<u>353,122</u>	<u>381,174</u>
Total	<u>381,414</u>	<u>353,122</u>	<u>381,174</u>

#### Company

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<i>Advances received from customers</i>			
Provision of services	342,472	293,444	285,149
Sales of goods	2,496	2,714	8,007
	<u>344,968</u>	<u>296,158</u>	<u>293,156</u>
Total	<u>344,968</u>	<u>296,158</u>	<u>293,156</u>

Contract liabilities include franchise services, product admission services and advances received to the delivery of the products. The changes in contract liabilities in the Relevant Periods were mainly due to the changes in advances received from customers in relation to the franchise services, product admission services and delivery of goods at the end of each of the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 25. INTEREST-BEARING BANK BORROWINGS

#### Group

	At 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans – unsecured	2.4%-2.8%	2024	84,123
Analysed into:			
Bank loans repayable:			
Within one year			84,123

#### Company

	At 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans – unsecured	2.4%-2.8%	2024	64,634
Analysed into:			
Bank loans repayable:			
Within one year			64,634

#### Notes:

- (i) All interest-bearing bank borrowings are denominated in RMB.
- (ii) The Group’s total facilities for bank borrowings amounted to RMB346,000,000, RMB330,000,000 and RMB550,000,000, of which nil, nil and RMB84,123,000 had been utilised as at the end of each of the Relevant Periods, respectively.
- (iii) As at the end of each of the Relevant Periods, certain bank borrowings of the Group were guaranteed by related parties, details of which are set out in note 34(f) to the Historical Financial Information.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

#### Deferred tax assets

	Impairment provision for financial assets <i>RMB'000</i>	Impairment provision for inventories <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Internal transactions <i>RMB'000</i>	Deductible losses <i>RMB'000</i>	Provision <i>RMB'000</i>	Government grants <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Group</b>								
At 1 January 2021	7,435	592	–	348	20	50	50	8,495
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,277	1,050	7,611	466	66	(50)	–	10,420
At 31 December 2021 and 1 January 2022	8,712	1,642	7,611	814	86	–	50	18,915
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,290	993	873	340	(86)	–	–	3,410
At 31 December 2022 and 1 January 2023	10,002	2,635	8,484	1,154	–	–	50	22,325
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(677)	1,878	(275)	(127)	428	64	–	1,291
At 31 December 2023	<u>9,325</u>	<u>4,513</u>	<u>8,209</u>	<u>1,027</u>	<u>428</u>	<u>64</u>	<u>50</u>	<u>23,616</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

Company	Impairment	Impairment	Lease	Internal	Deductible	Government	Total
	provision for financial assets	provision for inventories					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	7,327	563	–	223	–	50	8,213
Deferred tax credited/(charged) to profit or loss during the year	796	1,007	7,341	59	–	(50)	9,153
At 31 December 2021 and 1 January 2022	8,123	1,570	7,341	282	–	50	17,366
Deferred tax credited/(charged) to profit or loss during the year	821	822	(245)	(107)	–	–	1,291
At 31 December 2022 and 1 January 2023	8,944	2,392	7,096	175	–	50	18,657
Deferred tax credited/(charged) to profit or loss during the year	(650)	1,349	(801)	(3)	–	64	(41)
At 31 December 2023	8,294	3,741	6,295	172	–	64	18,616

### Deferred tax liabilities

### Right-of-use assets RMB'000

### Group

At 1 January 2021	–
Deferred tax charged to profit or loss during the year (note 10)	7,395
At 31 December 2021 and 1 January 2022	7,395
Deferred tax charged to profit or loss during the year (note 10)	823
At 31 December 2022 and 1 January 2023	8,218
Deferred tax credited to profit or loss during the year (note 10)	(14)
At 31 December 2023	8,204

## APPENDIX I

## ACCOUNTANTS’ REPORT

	<b>Right-of-use assets</b> <i>RMB’000</i>
<b>Company</b>	
At 1 January 2021	–
Deferred tax charged to profit or loss during the year	<u>7,136</u>
At 31 December 2021 and 1 January 2022	7,136
Deferred tax charged to profit or loss during the year	<u>(311)</u>
At 31 December 2022 and 1 January 2023	6,825
Deferred tax credited to profit or loss during the year	<u>(467)</u>
At 31 December 2023	<u><u>6,358</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<b>2021</b> <i>RMB’000</i>	<b>At 31 December</b> <b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
<b>Group</b>			
Net deferred tax assets recognised in the consolidated statement of financial position	<u>11,520</u>	<u>14,107</u>	<u>15,412</u>

	<b>2021</b> <i>RMB’000</i>	<b>At 31 December</b> <b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
<b>Company</b>			
Net deferred tax assets recognised in the consolidated statement of financial position	<u>10,230</u>	<u>11,832</u>	<u>12,258</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>2021</b> <i>RMB’000</i>	<b>At 31 December</b> <b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
<b>Group</b>			
Tax losses	8,401	12,838	17,024
Deductible temporary differences	<u>1</u>	<u>185</u>	<u>2,602</u>
Total	<u><u>8,402</u></u>	<u><u>13,023</u></u>	<u><u>19,626</u></u>



## APPENDIX I

## ACCOUNTANTS’ REPORT

The Group has accumulated tax losses and deductible temporary differences of RMB8,402,000, RMB13,023,000 and RMB19,626,000 as at the end of each of the Relevant Periods, respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the tax losses arose, whilst those arising in PRC will expire in five years, for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they are not considered probable that taxable profits will be available against which the tax losses cannot be utilised.

### 27. SHARE CAPITAL

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Authorised and fully paid:			
Ordinary shares with par value of RMB1.00 each	366,174	366,174	366,174

There was no change in the authorised and fully paid capital of the Company during the Relevant Periods.

### 28. SHARE-BASED PAYMENTS

The Group approved and adopted a stock incentive scheme (the “Stock Incentive Plan”) for certain employees of the Group (“Share Incentive Participants”) in order to recognise the contributions of Share Incentive Participants to the growth and development of the Group, and incentivise them to further promote the development of the Group.

In order to implement the Stock Incentive Plan, Shenzhen Chuangmeiweilai Investment Partnership (Limited Partnership) (“Chuangmeiweilai”), Shenzhen Shaobo Investment Partnership (Limited Partnership) (“Shaobo”), and Shenzhen Meiyu Investment Partnership (Limited Partnership) (“Meiyu”) were established and designated as stock incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

On 7 December 2017, the Group awarded 6,686,370 restricted share units (“RSUs”) of the Group as mentioned above to 52 eligible employees at a subscription price of RMB2.08. On 19 June 2018, the Group awarded 667,302 restricted share units of the Group as mentioned above to 1 eligible employee at a subscription price of RMB2.08.

All of the RSUs granted to the Share Incentive Participants shall be subject to a [REDACTED]-based condition (the “[REDACTED] Condition”). The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange.

The fair value of the RSUs granted on 7 December 2017 and 19 June 2018 was estimated at RMB9.73 per share as at the date of grant by reference to the recent financing valuation of the Group.

Share-based payment expenses recognised by the Group amounted to RMB5,800,000, RMB7,364,000 and negative RMB975,000 during the Relevant Periods, respectively. The negative expense in 2023 was adjusted due to the extension of expected [REDACTED].

## APPENDIX I

## ACCOUNTANTS’ REPORT

The following RSUs were outstanding under the Stock Incentive Plan during the Relevant Periods:

	Year ended 31 December		
	2021	2022	2023
	<i>Number of RSUs</i>	<i>Number of RSUs</i>	<i>Number of RSUs</i>
At the beginning of the year	7,166,829	7,166,829	7,020,022
Granted during the year	40,038	–	–
Vested during the year	–	(53,384)	–
Forfeited during the year	(40,038)	(93,423)	(93,422)
	<u>7,166,829</u>	<u>7,020,022</u>	<u>6,926,600</u>
At the end of the year	<u>7,166,829</u>	<u>7,020,022</u>	<u>6,926,600</u>

### 29. RESERVES

#### Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

#### *Share premium*

The share premium account represents the amount paid by shareholders for capital injection in excess of the par value of the ordinary shares subscribed.

#### *Share-based payment reserve*

The Group’s share-based payment reserve represents the share-based compensation reserve arising from equity-settled share awards. Details of the movements are set out in the consolidated statements of changes in equity.

#### *Statutory surplus reserve*

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of the Company and the subsidiaries provided that the reserve balance after such conversion is not less than 25% of the registered capital of the Company and the subsidiaries. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

#### *Exchange fluctuation reserve*

The exchange fluctuation reserve represents exchange differences due to the translation of the financial statements of the group companies whose functional currencies are different from the Group’s presentation currency.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented below:

	Share premium* RMB’000	Share-based payment reserve* RMB’000	Statutory surplus reserve* RMB’000	Retained profits* RMB’000	Total RMB’000
At 1 January 2021	60,064	19,028	98,798	413,355	591,245
Profit for the year	–	–	–	338,223	338,223
Transfer from retained profits	–	–	33,822	(33,822)	–
Dividend declared (note 11)	–	–	–	(150,131)	(150,131)
Recognition of share-based payments	–	5,800	–	–	5,800
At 31 December 2021	<u>60,064</u>	<u>24,828</u>	<u>132,620</u>	<u>567,625</u>	<u>785,137</u>
At 1 January 2022	60,064	24,828	132,620	567,625	785,137
Profit for the year	–	–	–	389,898	389,898
Transfer from retained profits	–	–	38,990	(38,990)	–
Recognition of share-based payments	–	7,364	–	–	7,364
At 31 December 2022	<u>60,064</u>	<u>32,192</u>	<u>171,610</u>	<u>918,533</u>	<u>1,182,399</u>
At 1 January 2023	60,064	32,192	171,610	918,533	1,182,399
Profit for the year	–	–	–	392,477	392,477
Transfer from retained profits	–	–	11,477	(11,477)	–
Dividend declared (note 11)	–	–	–	(300,263)	(300,263)
Recognition of share-based payments	–	(975)	–	–	(975)
At 31 December 2023	<u>60,064</u>	<u>31,217</u>	<u>183,087</u>	<u>999,270</u>	<u>1,273,638</u>

\* These reserve accounts comprise the consolidated reserves of RMB785,137,000, RMB1,182,399,000 and RMB1,273,638,000 in the statements of financial position of the Company as at the end of each of the Relevant Periods, respectively.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions of right-of-use assets of RMB10,613,000, RMB24,873,000 and RMB18,274,000, respectively, with the responding same amounts of lease liabilities in respect of lease arrangements for office premises and buildings and stores.

#### (b) Changes in liabilities arising from financing activities

	<b>Interest-bearing bank and other borrowings</b>	<b>Lease liabilities</b>
	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	–	36,960
Changes from financing cash flows	–	(14,635)
Interest expenses	–	1,476
New leases	–	10,613
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(801)
Covid-19-related rent concession from a lessor	–	(17)
	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	–	33,596
Changes from financing cash flows	–	(19,935)
Interest expenses	–	2,144
New leases	–	24,873
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,109)
Covid-19-related rent concession from a lessor	–	(314)
	<hr/>	<hr/>
At 31 December 2022 and 1 January 2023	–	39,255
Changes from financing cash flows	83,581	(23,378)
Interest expenses	542	1,904
New leases	–	18,274
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(483)
	<hr/>	<hr/>
At 31 December 2023	<u>84,123</u>	<u>35,572</u>

#### (c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
With operating activities	16,061	20,063	25,422
With financing activities	14,635	19,935	23,378
	<hr/>	<hr/>	<hr/>
Total	<u>30,696</u>	<u>39,998</u>	<u>48,800</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 31. CONTINGENT LIABILITIES

In November 2022, a lawsuit was filed against us by a celebrity and her agency for the unauthorized use of her portrait and name in marketing and advertising activities after the expiration of the endorsement agreement. The first-instance court ruled that we withdraw all marketing and advertising materials related to the celebrity and pay the plaintiff’s attorney fees in the amount of RMB20,000 and dismissed the plaintiff’s other claims, including the demand for overdue fees of RMB9,300,000 for unauthorized usage. The plaintiff appealed, and the appellate court dismissed the appeal and upheld the judgment of the first instance court. By 19 June 2024, the judgment is currently being executed. The frozen bank deposits of RMB9,300,000 due to the litigation are being unfrozen.

### 32. PLEDGE OF ASSETS

At the end of each of the Relevant Periods, the Group’s pledge of assets is included in note 21.

### 33. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any significant commitments.

### 34. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) **Name and relationship of related parties\***

<b>Name</b>	<b>Relationship</b>
Shenzhen Qiankunlianhe Investment Co., LTD	Controlled by the controlling shareholder
Shenzhen Shangshanlianhe Investment Co., LTD	Controlled by the controlling shareholder
Mr. Li Weizhu	Ultimate controlling shareholder
Mr. Li Weipeng	Ultimate controlling shareholder
Ms. Zhou Minling	Close family member of the controlling shareholder
Ms. Chen Danxia	Close family member of the controlling shareholder
Ms. Chen Hongzhu	Close family member of the controlling shareholder
Ms. Li Gangli	Close family member of the controlling shareholder
Ms. Li Gangxiu	Close family member of the controlling shareholder
Mr. Li Weibo	Close family member of the controlling shareholder
Mr. Zhong Xipeng	Close family member of the controlling shareholder
Mr. Xie Mingyu	Director
Ms. Lin Liuzhi	Supervisor
Mr. Ni Xuepeng	Supervisor
Ms. Huang Xiaoxin	Close family member of Mr. Ni Xuepeng
Mr. Xu Zhili	Chief Financial Officer
Mr. Wu Yang	Secretary of the Board of Director

## APPENDIX I

## ACCOUNTANTS’ REPORT

Name	Relationship
Ms. Li Caiping	Key management personnel of the Group
Mr. Lin Xiangjie	Directors of the controlling shareholder
Mr. Li Shigang	independent non-executive director

\* The English names of all the above related parties represent the best effort made by the directors of the Group to translate the Chinese names as these related parties have not been registered with any official English names

**(b) Purchases of goods from a related party were as follows:**

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Ms. Zhou Minling	600	437	514

The above transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

**(c) Sales of goods to related parties were as follows:**

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Related parties	41	35	54

The transaction amounts above between the Group and the related parties included the transaction amounts between the related parties and their family members.

The prices for the above sales of goods were determined according to the published prices and conditions offered to other customers of the Group.

## APPENDIX I

## ACCOUNTANTS’ REPORT

(d) **Outstanding balances with related parties**

**Group**

	At 31 December		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Trade payable:			
Ms. Zhou Minling	49	7	11
Other payable and accruals:			
Ms. Huang Xiaoxin	4	4	17
	<u>4</u>	<u>4</u>	<u>17</u>

**Company**

As disclosed in the statements of financial position, the Company had the following outstanding balances with related parties at the end of each of the Relevant Periods.

	At 31 December		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Trade payable:			
Ms. Zhou Minling	49	7	11
Other payable and accruals:			
Ms. Huang Xiaoxin	4	4	17
Due to subsidiaries	90,027	206,038	431,779
Due from subsidiaries	236,837	443,376	670,515
	<u>236,837</u>	<u>443,376</u>	<u>670,515</u>

The amounts due to subsidiaries were generated from the purchase of goods and services from the subsidiaries. The amounts due from subsidiaries were generated from the sales of goods and services from the subsidiaries. The Company’s balances with a related parties are unsecured, interest-free and repayable on demand.

(e) **Other related party transactions**

The close family member of the controlling shareholder turned over the operating income of RMB5,253,000 engaged in personal gemstone trading in 2022, which is included in other income and gains.

(f) **Guarantees from related parties**

Mr. Li Weizhu, together with Mr. Li Weipeng, Ms. Chen Hongzhu and Ms. Zhong Yingqin, provided guarantees for the Group’s interest-bearing bank borrowings up to RMB64,544,000 with an interest rate of 2.80% in aggregate as at 31 December 2023 .

## APPENDIX I

## ACCOUNTANTS’ REPORT

(g) **Compensation of key management personnel of the Group**

Details of the compensation of key management personnel of the Group are disclosed as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Fees	158	158	113
Salaries, allowances and benefits in kind	5,707	6,061	6,163
Pension scheme contributions	268	304	313
Equity-settled share-based payments	4,886	4,218	188
Total	<u>11,019</u>	<u>10,741</u>	<u>6,777</u>

35. **FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

**Financial assets**

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Group</b>			
Financial assets at amortised cost			
Trade receivables	207,497	231,072	238,382
Financial assets included in prepayments, other receivables and other assets	9,294	11,932	16,580
Cash and bank balances	421,277	217,480	188,064
Debt investments	–	168,244	173,947
Fair value through other comprehensive income			
Debt investments	–	–	163,537
Total	<u>638,068</u>	<u>628,728</u>	<u>780,510</u>

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Company</b>			
Financial assets at amortised cost			
Trade receivables	165,675	147,472	108,614
Financial assets included in prepayments, other receivables and other assets	6,152	6,202	6,237
Due from subsidiaries	236,837	443,376	670,515
Cash and bank balances	382,152	190,005	97,575
Debt investments	–	168,244	173,947
Fair value through other comprehensive income			
Debt investments	–	–	163,537
Total	<u>790,816</u>	<u>955,299</u>	<u>1,220,425</u>



## APPENDIX I

## ACCOUNTANTS’ REPORT

### Financial liabilities

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Group</b>			
Financial liabilities at amortised cost			
Trade payables	38,273	36,096	35,521
Financial liabilities included in other payables and accruals	112,949	123,105	124,950
Lease liabilities	33,596	39,255	35,572
Interest-bearing bank borrowings	–	–	84,123
<b>Total</b>	<b>184,818</b>	<b>198,456</b>	<b>280,166</b>

	At 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Company</b>			
Financial liabilities at amortised cost			
Trade payables	23,383	15,766	21,383
Financial liabilities included in other payables and accruals	104,475	103,577	102,038
Due to subsidiaries	90,027	206,038	431,779
Lease liabilities	29,674	28,466	24,853
Interest-bearing bank borrowings	–	–	64,634
<b>Total</b>	<b>247,559</b>	<b>353,847</b>	<b>644,687</b>

### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets (current), trade payables, financial liabilities included in other payables and accruals (current), and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included in the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sales.

The fair value of debt investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group’s finance department headed by the director of the finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The director of the finance department reports directly to the board of directors of the Company. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the director of the finance department.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings, restricted deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk for trade receivables from third parties as the customer bases of the Group are dispersed. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Total RMB’000
	Stage 1 RMB’000	Stage 2 RMB’000	Stage 3 RMB’000	Simplified approach RMB’000	
At 31 December 2021					
<b>Group</b>					
Trade receivables*	-	-	-	230,003	230,003
Financial assets included in prepayments, other receivables and other assets:					
– Normal**	8,158	-	-	-	8,158
– Doubtful**	-	1,230	86	-	1,316
Cash and bank balances:					
– Not yet past due	421,277	-	-	-	421,277
<b>Total</b>	<b>429,435</b>	<b>1,230</b>	<b>86</b>	<b>230,003</b>	<b>660,754</b>
<b>Company</b>					
Trade receivables*	-	-	-	181,645	181,645
Due from subsidiaries	-	-	-	236,837	236,837
Financial assets included in prepayments, other receivables and other assets:					
– Normal**	5,120	-	-	-	5,120
– Doubtful**	-	1,095	86	-	1,181
Cash and bank balances:					
– Not yet past due	382,152	-	-	-	382,152
<b>Total</b>	<b>387,272</b>	<b>1,095</b>	<b>86</b>	<b>418,482</b>	<b>806,935</b>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000		
At 31 December 2022						
<b>Group</b>						
Trade receivables*	-	-	-	261,028	261,028	
Financial assets included in prepayments, other receivables and other assets:						
– Normal**	9,721	-	-	-	9,721	
– Doubtful**	-	2,332	81	-	2,413	
Cash and bank balances:						
– Not yet past due	217,480	-	-	-	217,480	
Debt investments	168,244	-	-	-	168,244	
<b>Total</b>	<b>395,445</b>	<b>2,332</b>	<b>81</b>	<b>261,028</b>	<b>658,886</b>	
<b>Company</b>						
Trade receivables*	-	-	-	166,726	166,726	
Due from subsidiaries	-	-	-	443,376	443,376	
Financial assets included in prepayments, other receivables and other assets:						
– Normal**	4,346	-	-	-	4,346	
– Doubtful**	-	1,920	81	-	2,001	
Cash and bank balances:						
– Not yet past due	190,005	-	-	-	190,005	
Debt investments	168,244	-	-	-	168,244	
<b>Total</b>	<b>362,595</b>	<b>1,920</b>	<b>81</b>	<b>610,102</b>	<b>974,698</b>	

## APPENDIX I

## ACCOUNTANTS’ REPORT

	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000		
At 31 December 2023						
<b>Group</b>						
Trade receivables*	-	-	-	263,519	263,519	
Financial assets included in prepayments, other receivables and other assets:						
– Normal**	13,989	-	-	-	13,989	
– Doubtful**	-	2,758	81	-	2,839	
Cash and bank balances:						
– Not yet past due	188,064	-	-	-	188,064	
Debt investments	337,484	-	-	-	337,484	
<b>Total</b>	<b>539,537</b>	<b>2,758</b>	<b>81</b>	<b>263,519</b>	<b>805,895</b>	
<b>Company</b>						
Trade receivables*	-	-	-	125,272	125,272	
Due from subsidiaries	-	-	-	670,515	670,515	
Financial assets included in prepayments, other receivables and other assets:						
– Normal**	4,170	-	-	-	4,170	
– Doubtful**	-	2,130	81	-	2,211	
Cash and bank balances:						
– Not yet past due	97,575	-	-	-	97,575	
Debt investments	337,484	-	-	-	337,484	
<b>Total</b>	<b>439,229</b>	<b>2,130</b>	<b>81</b>	<b>795,787</b>	<b>1,237,227</b>	

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and exposure to credit risk is disclosed in note 18 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *Liquidity risk*

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group aims to utilise interest-bearing bank borrowings and lease liabilities to maintain the balance between continuity of funding and flexibility.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

#### At 31 December 2021

	Within one year <i>RMB’000</i>	One to two years <i>RMB’000</i>	Two to three years <i>RMB’000</i>	Over three years <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Group</b>					
Trade payables	38,273	–	–	–	38,273
Financial liabilities included in other payables and accruals	112,949	–	–	–	112,949
Lease liabilities	15,974	11,247	7,545	1,051	35,817
Total	<u>167,196</u>	<u>11,247</u>	<u>7,545</u>	<u>1,051</u>	<u>187,039</u>
<b>Company</b>					
Trade payables	23,383	–	–	–	23,383
Financial liabilities included in other payables and accruals	104,475	–	–	–	104,475
Due to subsidiaries	90,027				90,027
Lease liabilities	13,518	9,839	7,386	1,051	31,794
Total	<u>231,403</u>	<u>9,839</u>	<u>7,386</u>	<u>1,051</u>	<u>249,679</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### At 31 December 2022

	Within one year <i>RMB’000</i>	One to two years <i>RMB’000</i>	Two to three years <i>RMB’000</i>	Over three years <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Group</b>					
Trade payables	36,096	–	–	–	36,096
Financial liabilities included in other payables and accruals	123,105	–	–	–	123,105
Lease liabilities	18,200	12,094	3,302	8,225	41,821
Total	<u>177,401</u>	<u>12,094</u>	<u>3,302</u>	<u>8,225</u>	<u>201,022</u>

### Company

Trade payables	15,766	–	–	–	15,766
Financial liabilities included in other payables and accruals	103,577	–	–	–	103,577
Due to subsidiaries	206,038	–	–	–	206,038
Lease liabilities	12,151	8,861	2,277	7,872	31,161
Total	<u>337,532</u>	<u>8,861</u>	<u>2,277</u>	<u>7,872</u>	<u>356,542</u>

### At 31 December 2023

	Within one year <i>RMB’000</i>	One to two years <i>RMB’000</i>	Two to three years <i>RMB’000</i>	Over three years <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Group</b>					
Trade payables	35,521	–	–	–	35,521
Financial liabilities included in other payables and accruals	124,950	–	–	–	124,950
Lease liabilities	19,745	8,893	3,529	6,732	38,899
Interest-bearing bank and other borrowings	85,638	–	–	–	85,638
Total	<u>265,854</u>	<u>8,893</u>	<u>3,529</u>	<u>6,732</u>	<u>285,008</u>

### Company

Trade payables	21,383	–	–	–	21,383
Financial liabilities included in other payables and accruals	102,038	–	–	–	102,038
Due to subsidiaries	431,779	–	–	–	431,779
Lease liabilities	12,761	5,454	2,523	6,571	27,309
Interest-bearing bank and other borrowings	66,149	–	–	–	66,149
Total	<u>634,110</u>	<u>5,454</u>	<u>2,523</u>	<u>6,571</u>	<u>648,658</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### *Capital management*

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a debt ratio, which is total assets divided by total liabilities. The debt ratios at the end of each of the Relevant Periods are as follows:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Total assets	2,026,343	2,584,835	3,075,203
Total liabilities	703,906	679,796	811,579
Debt ratio	35%	26%	26%

### 38. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the shareholder’s resolution dated on 16 March 2024 and 24 May 2024, dividends of RMB347,865,000 and RMB296,601,000 were declared respectively, RMB367,865,000 of which was paid before June 2024.

On 2 January 2024, RMB3,536,703 of the registered capital of the Company was transferred to Shenzhen Ruoshui United Investment Co., Ltd. (深圳若水聯合投資有限公司), Shenzhen Shangshan United Investment Co., Ltd. (深圳上善聯合投資有限公司) and Shenzhen Qiankun United Investment Co., Ltd. (深圳乾坤聯合投資有限公司).

On 19 June 2024, the Company entered into capital increase agreements with Shenzhen Xianglong Chuangmei Enterprise Management Partnership (深圳市祥龍創美企業管理合夥企業(有限合夥)), Hainan Yongcheng No. 15 Investment Partnership (Limited Partnership) (海南永誠拾伍號投資合夥企業(有限合夥)), Di Ai (Shenzhen) Jewelry Co., Ltd. (諦愛(深圳)珠寶有限公司) and Shenzhen Zhengfu Investment Co., Ltd. (深圳市正福投資有限公司) to increase registered capital into 378,712,528 shares and received the capital injection of RMB245,000,000.

### 39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.

---

**APPENDIX II**

**[REDACTED]**

---

**[REDACTED]**



---

**APPENDIX II**

**[REDACTED]**

---

**[REDACTED]**

---

**APPENDIX II**

**[REDACTED]**

---

**[REDACTED]**

---

**APPENDIX II**

**[REDACTED]**

---

**[REDACTED]**

---

**APPENDIX II**

**[REDACTED]**

---

**[REDACTED]**

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed in “Appendix V — Taxation and Foreign Exchange”. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions. For discussion on specific laws and regulations that regulate our business, see “Regulation Overview”.

### 1. PRC LAWS AND REGULATIONS

#### The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “**Legislation Law**”), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people’s governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people’s congresses of provinces or autonomous regions to resolve the issue. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws, administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws, administrative regulations, decisions and rulings of the State Council. The people’s governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People’s Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People’s Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

### **The PRC Judicial System**

Under the Constitution, the Law of Organization of the People’s Courts of the PRC (2018 revision) (《中華人民共和國人民法院組織法(2018修訂)》) and the Law of Organization of the People’s Procuratorate of the PRC (2018 revision) (《中華人民共和國人民檢察院組織法 (2018修訂)》), the people’s courts of the PRC are classified into the Supreme People’s Court, the local people’s courts at various levels, and other special people’s courts. The local people’s courts at various levels are divided into three levels, namely, the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The primary people’s courts may set up a number of people’s tribunals based on the facts of the region, population and cases. The Supreme People’s Court is the highest judicial authority. The Supreme People’s Court shall supervise the judicial work of the local people’s courts at all levels and special people’s courts, and people’s courts at higher levels shall supervise the judicial work of people’s courts at lower levels. The Chinese People’s Procuratorates are divided into the Supreme People’s Procuratorate, local people’s procuratorates at various levels, and specialized people’s procuratorates such as the Military Procuratorate. The Supreme People’s Procuratorate is the highest procuratorial organ. The Supreme People’s Procuratorate directs the work of the local people’s procuratorates and specialized people’s procuratorates at all levels, and the people’s procuratorates at higher levels direct the work of the people’s procuratorates at lower levels.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The people’s court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people’s court are final. The parties may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court are final. The first judgments or rulings of the Supreme People’s Court are also final. However, if the Supreme People’s Court or a people’s court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people’s court at a lower level, or the presiding judge of a people’s court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**PRC Civil Procedure Law**”) adopted on April 9, 1991 and amended four times on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021 prescribes the conditions for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people’s court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people’s court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

Where a party applies for enforcement of a legally effective judgement or ruling made by a people’s court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people’s court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people’s court of the PRC, unless the people’s court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people’s court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people’s court to recognize and enforce it.

### **The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies**

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “**Overseas Listing Trial Measures**”), which came into effect on March 31, 2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies

### **The Guidelines for the Articles of Association of Listed Companies**

On December 15, 2023, the CSRC Promulgated the latest amended Guidelines for the Articles of Association of Listed Companies” (the “**Guidelines for the Articles of Association**”). According to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for the Application of Regulatory Rules – Overseas Listing Category No. 1, domestic enterprises that are directly listed overseas shall formulate its Articles of Association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

### **The Company Law of the PRC**

The Company Law of the People’s Republic of China (hereinafter referred to as the “**PRC Company Law**”) was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The newly revised PRC Company Law will be implemented on July 1, 2024.

A “joint stock limited company” refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to the total amount of all assets it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.



## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

The joint stock limited companies shall carry out business in compliance with the requirements of laws and administrative regulations. They may invest in other limited liability companies and joint stock limited companies, and its liabilities for an invested company are limited to the extent of its investment amount. Unless otherwise provided by laws, the joint stock limited companies shall not assume any joint liability for the debts of an invested company in its capacity as a capital contributor.

### ***Incorporation***

A company may be incorporated by promotion or raising. A company shall be incorporated by two to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No shares shall be raised from others before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the Articles of Association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the Articles of Association, a Board of Directors and a Board of Supervisors shall be elected and the Board of Directors shall apply for registration of incorporation by filing the Articles of Association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by raising, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A prospectus shall be published and a subscription letter shall be prepared when the promoters offer shares to the public. The subscription letter shall be filled in by the subscriber with the number of shares to be subscribed, amount, address, and signed and sealed. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inauguration meeting within 30 days after the issued shares have been completely paid up. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the document, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the Board of Directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the company registration authority and a business license has been issued.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The promoters of a company shall:

- (I) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated;
- (II) individually and jointly be liable for the repayment of subscription monies to the subscribers together with interest at bank rates of a deposit for the same period if the company cannot be incorporated; and
- (III) be liable for compensation of damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

### *Share Capital*

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). Shares may be issued at a price equal to or at a premium to their par value, but shall not be issued at a price below par value.

### *Increase In Share Capital*

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting. In addition, the Securities Law of the PRC (the “**PRC Securities Law**”) also stipulates the following conditions for the company’s public offering of new shares:

- (I) have a sound organizational structure with satisfactory operating;
- (II) have the capability of sustainable operation;
- (III) have been issued with an unqualified opinion audit report by the auditor for the company’s financial accounting documents in the latest three years;
- (IV) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and
- (V) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

### *Reduction of Share Capital*

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law:

- (I) the company shall prepare a balance sheet and an inventory of properties;
- (II) make a resolution at a shareholders' general meeting to reduce the registered capital;
- (III) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers within 30 days;
- (IV) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and
- (V) the company must apply to the companies registration authority for a change in registration.

### *Repurchase of Shares*

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances:

- (I) reduction of the registered capital of the company;
- (II) merger with another company that holds its shares;
- (III) use of its shares for carrying out an employee stock ownership plan or equity incentive plan;
- (IV) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company;
- (V) use of shares for conversion of convertible corporate bonds issued by the listed company; and
- (VI) it is necessary for a listed company to maintain its company value and protect its shareholders' equity.

A resolution of a shareholders' general meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (I) or item (II) above; for a company's repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' general meeting.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (I) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the Company’s total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (III), item (V) and item (VI) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

### ***Transfer of Shares***

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the Stock Exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders’ general meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by law on the alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company’s listing on the Stock Exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company’s listing on the Stock Exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

### *Shareholders*

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights:

- (I) to be legally entitled to assets income, participate in significant decision-making and select management personnel;
- (II) to petition the people’s court to revoke any resolution of a shareholders’ meeting, a shareholders’ general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the Articles of Association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the Articles of Association of the company, provided that such petition shall be submitted to the people’s court within 60 days of the passing of such resolution;
- (III) to transfer his/her shares legally;
- (IV) to attend or appoint a proxy to attend shareholders’ general meetings and exercise the voting rights;
- (V) to inspect the Articles of Association of the company, share register, counterfoil of company debentures, the minutes of shareholders’ general meetings, board resolutions, resolutions of the Board of Supervisors and the financial and accounting reports, and to make suggestions or inquiries in respect of the company’s operations;
- (VI) to receive dividends in respect of the number of shares held;
- (VII) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- (VIII) any other shareholders’ rights provided for in laws, administrative regulations, other normative documents and the Articles of Association of the company.

The obligations of shareholders include the obligation to abide by the Articles of Association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company’s responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the Articles of Association of the company.

Pursuant to the Overseas Listing Trial Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

### *Shareholders' General Meetings*

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting may exercise its powers:

- (I) to decide on the company's operational policies and investment plans;
- (II) to elect or replace the directors and supervisors who are not representatives of the employees and to decide on the matters relating to the remuneration of directors and supervisors;
- (III) to consider and approve the reports of the board of directors;
- (IV) to consider and approve the reports of the Board of Supervisors or the reports of the supervisors;
- (V) to consider and approve the company's annual financial budget proposals and final account proposals;
- (VI) to consider and approve the company's profit distribution and loss recovery proposals;
- (VII) to decide on any increase or reduction of the company's registered capital;
- (VIII) to decide on the issue of corporate bonds;
- (IX) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (X) to amend the Articles of Association of the company; and
- (XI) to exercise any other authority stipulated in the Articles of Association of the company.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' general meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following:

- (I) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the Articles of Association of the company;
- (II) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- (III) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting;
- (IV) the board of directors deems necessary;

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

(V) the Board of Supervisors so proposes; or

(VI) any other circumstances as provided for in the Articles of Associations of the company.

A shareholders' general meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders' general meeting, the Board of Supervisors shall convene and preside over such meeting in a timely manner; if the Board of Supervisors fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' general meeting is convened. Notice of the extraordinary general meeting shall be given to all shareholders 15 days before the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who individually or jointly hold more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and the proposal shall provide clear agenda and specific matters on which resolutions are to be made. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

According to the PRC Company Law, shareholders present at shareholders' general meeting shall have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the Articles of Association of the company or a resolution of the shareholders' general meeting. Under the accumulative voting system, when the shareholders' general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Under the PRC Company Law, the passing of any resolution at the general meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting. Where the PRC Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the Company and the other matters must be approved by way of resolution of the general meeting, the Board of Directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting. Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

### *Board of Directors*

A company shall have a board, which shall consist of 5 to 19 members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the Company's staff at a staff representative assembly, general staff meeting or otherwise. The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

- (I) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (II) to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- (III) to decide on the Company's operational plans and investment proposals;
- (IV) to formulate proposal for the Company's annual financial budgets and final accounts;
- (V) to formulate the Company's proposals for profit distribution and for recovery of losses;
- (VI) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;



## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

- (VII) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;
- (VIII) to decide on the setup of the Company's internal management organs;
- (IX) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;
- (X) to formulate the Company's basic management system; and
- (XI) other authority stipulated in the Articles of Association.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Board of Supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors. Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. Resolutions of the Board shall be passed on a one person one vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reasons, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a Director of the Company:

- (I) devoid of or with restricted civil conduct ability;
- (II) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime;
- (III) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency;

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (IV) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and
- (V) liable to large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

### *Board of Supervisors*

The company shall have a Board of Supervisors composed of not less than three members. The Board of Supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Board of Supervisors shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Board of Supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Board of Supervisors shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meetings. Where the chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meetings. Where the vice chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the Board of Supervisors meetings.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The board of supervisors may exercise its powers:

- (I) to review the company's financial position;
- (II) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- (III) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;
- (IV) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- (V) to submit proposals to the shareholders' general meetings;
- (VI) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and
- (VII) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

### *Manager and Senior Management*

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors, may exercise his/her functions and powers:

- (I) to preside over the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- (II) to arrange for the implementation of the company's annual operation plans and investment proposals;
- (III) to formulate proposals for the establishment of the company's internal management organs;
- (IV) to formulate the fundamental management system of the company;
- (V) to formulate the company's specific rules and regulations;
- (VI) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

(VII) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(VIII) to exercise any other authority granted by the board of directors.

Other provisions in the Articles of Association on the manager's functions and powers shall also be complied with. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

### *Duties of Directors, Supervisors, General Managers and Other Senior Management*

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the Articles of Association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In the meantime, directors and senior management are prohibited from:

- (I) misappropriating company funds;
- (II) depositing company funds into accounts under their own names or the names of other individuals;
- (III) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the Articles of Association or without approval of the general meeting or the board of directors;
- (IV) entering into contracts or transactions with the company in violation of the Articles of Association or without approval of the general meeting;
- (V) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- (VI) accept commissions from transactions between others and the company for their own benefits;
- (VII) unauthorized divulgence of confidential information of the company; and
- (VIII) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

A director, supervisor or senior management who contravenes laws, administrative regulations or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the board of supervisors without obstructing the exercise of functions and powers by the board of supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the Articles of Association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the Articles of Association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the board of supervisors or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Overseas Listing Trial Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

### ***Finance and Accounting***

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association.

Profits distributed to shareholders by a resolution of a shareholder's general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company's losses, expand its production and operations or convert it into an increase in its capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

### ***Appointment and Dismissal of Auditors***

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

The Overseas Listing Trial Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### ***Profit Distribution***

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is provided. At the same time, the Overseas Listing Trial Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

### ***Amendment to Articles of Association***

Pursuant to PRC Company Law, the resolution of a shareholders’ general meeting regarding any amendment to a company’s Articles of Association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the Articles of Association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registrations shall be handled according to law. Where the amendments to the Articles of Association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

### ***Dissolution and Liquidation***

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

- (I) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;
- (II) the shareholders’ general meeting has resolved to dissolve the company;
- (III) the company is dissolved by reason of its merger or division;
- (IV) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- (V) Where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people’s court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

In the event of paragraph (I) above, the company may carry on its existence by amending its Articles of Association. The amendments to the Articles of Association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders’ general meeting.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

Where the company is dissolved under the circumstances set forth in paragraph (I), (II), (IV) or (V) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- (I) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;
- (II) to inform creditors by notice or announcement;
- (III) to deal with and settle any outstanding business of relevant company;
- (IV) to pay all outstanding taxes and the taxes arising during the liquidation process;
- (V) to settle claims and debts;
- (VI) to handle the company's remaining assets after its debts have been paid off; and
- (VII) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor's claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.



## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation and the company registration authority to apply for cancelation of the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Furthermore, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the relevant laws on corporate bankruptcy.

### *Overseas Listing*

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

- (I) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;
- (II) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;
- (III) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;
- (IV) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;
- (V) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

- (I) change in controlling rights;
- (II) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;
- (III) changing the listing status or transferring the listing board;
- (IV) voluntary or compulsory termination of a listing.

Pursuant to the Notice on Administrative Arrangements for Filing Concerning Overseas Issuance and Listings by Domestic Enterprises, which was promulgated by the CSRC on February 17, 2023 and came into effect on the same date, a domestic enterprise which has been issued and listed overseas before March 31, 2023 is defined as stock enterprise (“**stock enterprise**”). The stock enterprise shall not need to file immediately, but the enterprise shall file as required if it involves the file matters such as refinancing subsequently. For the purpose of the domestic enterprise that has been granted approval letter by the CSRC for the overseas public raised shares and listing (including issuance of additional shares) by a joint stock limited company, the domestic enterprise may continue to promote overseas issuing and listing upon the expiration of the validity of the approval letter. The domestic enterprise shall file as required if it has not completed overseas issuing and listing upon the expiration of the validity of the approval letter.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### *Loss of Share Certificates*

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

### *Merger and Division*

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **The PRC Securities Laws, Regulations and Regulatory Regimes**

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities-related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

### **Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”) was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court unless the arbitration agreement is invalid.

## APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the SCNPC declared that (I) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (II) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People’s Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People’s Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020, which went into effect on November 27, 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Shanghai-Hong Kong Stock Connect**

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as “HKSF”) issued the Joint Announcement of CSRC and HKSF – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as “Shanghai-Hong Kong Stock Connect”) by the Shanghai Stock Exchange (hereinafter referred to as “SSE”), the Stock Exchange, CSDC and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSF that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On November 10, 2014, CSRC and HKSF issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

### **2. MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG**

The Hong Kong laws applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC, the Company is governed by the PRC Company Law and all other applicable rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of material differences between Hong Kong laws applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Corporate Existence**

Under the Hong Kong laws, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong by issuing certificate of incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain pre-emption provisions. A public company’s articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Hong Kong laws do not prescribe any minimum capital requirement for a Hong Kong company.

### **Share Capital**

Hong Kong laws do not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company’s share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company.

The PRC Company Law does not provide for authorized share capital, either. The registered capital is the amount of our issued share capital. Any increase in registered capital must be approved by the shareholders’ general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, shareholders may make capital contributions in the form of money or appraised non-monetary assets including real objects, intellectual property and land use right which can be appraised in money and transferred according to laws. Non-monetary assets to be used as capital contributions must be appraised and verified and should not be overvalued or undervalued. There is no such restriction on a Hong Kong company under Hong Kong laws.

### **Restrictions on Transfer of Shares**

Under PRC law, a joint stock limited company’s domestic shares, which are denominated and subscribed for in Renminbi, in the share capital, generally may only be subscribed for and traded by the State, PRC legal persons, natural persons or other investment institutions permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau, Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Connect, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. When the application for full circulation has been completed the filing procedure with the CSRC, the domestic unlisted shares of the H share listed company might be listed and circulated on the Hong Kong Stock Exchange.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the public offering of the company cannot be transferred within one year from the listing date of the company’s shares on a stock exchange. Shares in a joint stock limited company transferred each year by its directors, supervisors and senior management during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and senior management.

Apart from (i) a six-month lock-up period for issuance of additional shares by the company and (ii) a 12-month lock-up period for disposal of shares by controlling shareholders after listing, there are no such restrictions on shareholdings and transfers of shares under Hong Kong laws.

### **Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares. However, the Guidance for Articles of Association stipulates that a company (including its subsidiaries) shall not provide any financial assistance to anyone who purchases or intends to purchase shares of the company in the form of gifts, advances, guarantees, compensation, or loans.

### **Notice of the Shareholders’ General Meeting**

Under the PRC Company Law, notices of an annual general meeting and an extraordinary general meeting of a joint stock limited company must be given to shareholders 20 days and 15 days before the meeting, respectively. For a limited liability company incorporated in Hong Kong, the minimum period of notice is 14 days in case of other shareholders’ meetings other than annual general meeting and 21 days in the case of an annual general meeting.

### **Quorum for Shareholders’ General Meetings**

Under Hong Kong company law, the quorum for a shareholders’ general meeting must be two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders’ general meeting.



## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Voting at Shareholders' General Meetings**

Under the PRC Company Law, the passing of any resolution of a shareholders' general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting in person or by proxy except in cases of resolutions of a shareholders' general meeting on amendments to the articles of association, increase or decrease of registered capital, a company's merger, division or dissolution, or change of corporation form, the resolution requires affirmative votes of shareholders representing no less than two-thirds of the voting rights represented by the shareholders who attend the shareholders' general meeting in person or by proxy.

Under Hong Kong laws, (i) an ordinary resolution may be passed by a simple majority of affirmative votes of the shareholders who attend the shareholders' general meeting in person or by proxy, and (ii) a special resolution may be passed by no less than three fourths of affirmative votes of the shareholders who attend the shareholders' general meeting in person or by proxy.

### **Variation of Class Rights**

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can separately promulgate requirements relating to other classes of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

- (i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;
- (ii) If there are not relevant provisions in the articles of associations, then (a) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (b) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

### **Directors**

The PRC Company Law, unlike Hong Kong laws, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' rights to carry out major disposals or companies providing certain benefits, or prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law restricts the directors of a listed company who have interests or associations in the enterprises involved in the resolution of the board meetings from voting on the said resolution. All the above provisions have been incorporated in the articles of association, which are summarized in Appendix IV.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Supervisors**

Under the PRC Company Law, a joint stock limited company’s board of directors and general manager are subject to the supervision and inspection of the board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Guidance for Articles of Association provides that supervisors shall comply with laws, administrative regulations, and the articles of association, and have the obligation of loyalty and diligence to the company. Supervisors shall not take advantage of their power to accept bribes or other illegal income, and shall not encroach on the company’s property.

### **Derivative Action by Minority Shareholders**

Under Hong Kong laws, in the event that the directors control more than half of the votes at the shareholders’ general meeting, thus effectively preventing the company from suing the directors in breach of fiduciary duty in its own name, minority shareholders may bring a derivative action on behalf of all shareholders against the directors in breach of fiduciary duty owed to the company.

Pursuant to the PRC Company Law, in the event that the directors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing losses to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people’s court. If the supervisors are involved in the aforesaid circumstance, the above said shareholders may send written request to the board of directors to initiate proceedings in the people’s court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the interests of the company, the above said shareholders shall, for the benefit of the company’s interests, have the right to initiate proceedings directly to the people’s court in their own name.

The Guidance for the Articles of Association of Listed Companies also provides that in the event where directors or senior management, in the course of their duties, violate any laws, administrative regulations or the articles of association and cause a company to suffer a loss, shareholders individually or jointly holding more than 1% of the shares of the company for more than 180 successive days may make a written request to the board of supervisors to bring a lawsuit in the people’s court; where the board of supervisors, in the course of their duties, violates any laws, administrative regulations or the articles of association and causes a company to suffer a loss, the shareholders may make a written request to the board of directors to bring a lawsuit in the people’s court. If directors or senior management violate any laws, administrative regulations or the articles of association and damages the shareholders’ interests, the shareholders may bring a lawsuit in the people’s court.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Protection of Minorities**

Under Hong Kong laws, a company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his/her interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law stipulates that if a company which encounters substantial operational or management difficulties, and its continuance will cause significant losses to shareholders' interests and cannot be resolved through other channels, shareholders of the company who hold more than 10% of the voting rights of all shareholders may apply to a people's court for the dissolution of the company. The Guidance for the Articles of Association of Listed Companies however, contains provisions that controlling shareholders and ultimate controllers of a company shall have a duty of care to the company and general public shareholders of the Company. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of a company or of general public shareholders of the company in any way such as via the distribution of profits, the asset reorganization, external investments, the use of company funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the company or of general public shareholders of the company.

### **Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a company of which the shares are publicly issued must publish its financial report in accordance with the PRC Company Law. A company shall prepare its financial accounting report at the end of each fiscal year, which reports shall be audited by certified public accountants according to the laws.

The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company's annual general meeting, not less than 21 days before such meeting.

### **Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong laws.

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

### **Dividends and Receiving Agent**

Under the Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

### **Corporate Reorganisation**

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders’ approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC laws, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

### **Arbitration of Disputes**

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Guidelines for the Articles of Association of Listed Companies provide that shareholders may sue directors, supervisors, managers and other senior management of the company, and shareholders may sue the company, and the company may sue its shareholders, directors, supervisors, managers and other senior management personnel.

### **Mandatory Deductions**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no similar provisions in Hong Kong laws.

### **Corporate Remedies**

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the Articles of Association of a company, which results in damage to the company, that director, supervisor or manager shall be liable for compensation. In addition, the company’s remedies are similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management personnel), in line with the Listing Rules.

---

## **APPENDIX III SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

### **Fiduciary Duty**

In Hong Kong, there is a common law concept of directors' fiduciary responsibility. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Guidance for Articles of Association, directors shall not conclude any contract or engage in any transaction with a company either in violation of the articles of association of the company or without the approval of the general meeting.

### **Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law, change of the register of shareholders arising from share transfer shall not be registered within 20 days before convening of a shareholders' general meeting or within five days prior to the base date on which the company decides to distribute dividends.

Any person wishing to have detailed advice on PRC laws or the laws of any jurisdiction is recommended to seek independent legal advice.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **OVERVIEW**

This Appendix contains the summary of the principal provisions of the Articles of Association. As the main purpose of this Appendix is to provide potential [REDACTED] with an overview of the Company’s Articles of Association, it may not necessarily contain all information that is important for prospective [REDACTED]. As discussed in the appendix headed “Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” to this document, the full document of the Articles of Association in Chinese is available for examination.

### **SHARES**

#### **Issuance of Shares**

The shares of the Company shall take the form of share certificates.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights. Shares of the same class and in the same issue shall be issued on the same conditions and at the same price.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares it/he/she subscribes for.

The shares issued by the Company, all of which are ordinary shares, are denominated in RMB with a par value of RMB1.00 per share.

### **INCREASE AND REDUCTION OF CAPITAL AND BUYBACK OF SHARES**

#### **Capital Increase**

In light of the operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a resolution of the general meeting, by any of the following methods:

- (I) a public offering of shares;
- (II) a private offering of shares;
- (III) allotment of bonus shares to existing shareholders;
- (IV) conversion of other reserve to share capital;
- (V) other methods permitted by laws, administrative regulations, regulatory rules of the place where the Company’s Shares are [REDACTED], and the relevant national competent authorities such as the CSRC.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **Reduction of Capital**

The Company may reduce its registered capital. If the Company reduces its registered capital, it shall do so by the procedures set forth in the Company Law, other relevant regulations and the Articles of Association.

If the Company is to reduce its registered capital, it must prepare a balance sheet and a list of its property.

The Company shall notify its creditors within 10 days of the date of the resolution for reduction of capital and shall publish an announcement in a newspaper within 30 days of the date of such resolution. A creditor has the right within 30 days of receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within 45 days of the date of the public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt.

The registered capital of the Company after the reduction of capital shall not be lower than the statutory minimum. In addition, if the Company is to reduce or increase its registered capital, such changes shall be registered with the company registration authority in accordance with the law.

### **Repurchase of Shares**

The Company shall not acquire its shares. However, the Company may, in any of the following circumstances:

- (I) reduce the registered capital of the Company;
- (II) merge with other companies that hold shares in the Company;
- (III) use the shares for employee shareholding schemes or as share incentives;
- (IV) acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;
- (V) use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;
- (VI) safeguard corporate value and shareholders' equity as the Company deems necessary.

In the event that the Company acquires shares of the Company for the reasons set forth in (I) and (II) above, such acquisition shall be resolved at a general meeting of shareholders; in the event that the Company acquires shares of the Company for the reasons set forth in (III), (V) and (VI) above, such acquisition shall be resolved at a board meeting with more than two-thirds of directors present.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

After the Company acquires its own shares, under the circumstance in (I) above, the shares so acquired shall be cancelled within 10 days from the acquisition. In the case of (II) or (IV) above, the shares so acquired shall be transferred or cancelled within six months. In the case of (III), (V) or (VI) above, the total number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and the shares so acquired shall be transferred or cancelled within three years.

In the event that the Company acquires its own shares, it shall fulfill the information disclosure obligations in compliance with the Securities Law. If the Company acquires its shares under the circumstances as stipulated in (III), (V) and (VI) above, it shall be conducted by way of open centralized transaction.

The Company may purchase its own shares in the following ways:

- (I) the centralized trading on the stock exchange;
- (II) tender offer;
- (III) other methods permitted by laws, administrative regulations, regulatory rules of the place where the Company's Shares are [REDACTED] and the CSRC.

### **Transfer of Shares**

The shares of the Company may be transferred in accordance with law.

The Company shall not accept any of its own shares as the subject of pledge right.

Shares of the Company held by promoters shall not be transferred for a period of one year after the Company's establishment. Shares issued prior to the Company's [REDACTED] of shares shall not be transferred for a period of one year from the date of [REDACTED] and [REDACTED] of the Company's shares on the stock exchange.

If the Company's directors, supervisors, senior management, and shareholders holding 5% or above shares of the Company sell shares within six months after buying the same or buy shares within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board of the Directors of the Company shall forfeit the said earnings. However, the provision shall not be applicable to any sale of shares by a securities company holding 5% or above of the Company's shares as a result of its [REDACTED] of the untaken shares and other circumstances as stipulated by the regulatory rules of the place where the Company's shares are [REDACTED] or the CSRC.

### **FINANCIAL ASSISTANCE FOR PURCHASE OF COMPANY SHARES**

The Company or the subsidiaries of the Company (including affiliates) shall not provide any financial assistance in the form of gift, advances, guarantee, compensation or loan to support the acts of purchase or proposed purchase of the shares of the Company.



## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETING**

#### **Shareholders**

##### *Register of Shareholders*

The Company shall establish a register of shareholders based on the certificates provided by the securities registration authorities. The register of shareholders shall be the sufficient evidence of the shareholders’ shareholding in the Company. A shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his/her shares. Shareholders holding the same classification of shares shall be entitled to the same rights and assume the same obligations.

When the Company convenes the shareholders’ general meeting, distributes dividends, goes into liquidation or is involved in other actions that require the confirmation the shareholders’ identities, the Board of Directors or the convener of the shareholders’ general meeting shall determine a record date for the determination of shareholdings, and the shareholders whose names are registered on the register of shareholders at closing on the record date shall be the shareholders entitled to the relevant interests. Where the relevant laws and regulations as well as the Hong Kong Listing Rules contain provisions which stipulate the period of closure of the register of shareholders prior to a shareholders’ general meeting or prior to the reference date set by the Company for the purpose of distribution of dividends, such provisions shall prevail. However, the aforesaid book closure period shall not exceed 30 days in total within one year, but may be extended by up to 30 days after consideration and approval at shareholders’ general meeting. Where the Company receives an application for inspection of the register of members during the book closure period, it shall, at the request of the applicant, issue to the applicant a certificate signed by the company secretary of the Company stating the approval authority for and the period of closure of register of members.

##### *Rights and Obligations of Shareholders*

The rights of the Company’s shareholders are as follows:

- (I) to receive distribution of dividends and other forms of benefits according to the number of shares held;
- (II) to legally require, convene, preside over, participate in or appoint a shareholder proxy to participate in the shareholders’ general meeting and exercise corresponding voting right;
- (III) to supervise the Company’s business operations, put forward proposals or raise enquiries;
- (IV) to transfer, give as gift or pledge the shares held in accordance with the laws, administrative regulations and the Articles of Association;
- (V) to inspect the Articles of Association, register of shareholders, corporate bond stubs, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee and financial accounting reports;

## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VI) in the event of the termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;
- (VII) with respect to shareholders who voted against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company, to demand the Company to buy back the shares held by them;
- (VIII) any other rights stipulated in the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] or the Articles of Association.

Where a shareholder asks to review the information mentioned in the preceding Article or makes a request for information, he or she shall submit to the Company written documents evidencing the classification and number of shares he or she holds. The Company shall provide information as requested by the shareholder after authenticating his or her identity.

Where the content of a resolution of the shareholders' general meeting or the board meeting of the Company violates laws or administrative regulations, the shareholders shall be entitled to request the People's Court to hold it invalid.

If the convening procedure or voting method of a shareholders' general meeting or board meeting violates laws, administrative regulations or the Articles of Association, or if the content of a resolution violates the Articles of Association, the shareholders shall be entitled to request the People's Court to revoke the resolution within 60 days from the date it was made.

In the event of any loss caused to the Company as a result of violation of any laws, administrative regulations or the Articles of Association by the directors or senior management when performing their duties in the Company, the shareholders holding 1% or more shares of the Company separately or jointly for over 180 consecutive days may submit a written request to the Supervisory Committee to file an action with the People's Court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to the Company, the above shareholders may submit a written request to the Board of Directors to file an action with the People's Court.

In the event that the Supervisory Committee or the Board of Directors refuses to file an action upon receipt of the shareholders' written request specified in the preceding paragraph, or fails to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of the Company, the shareholders specified in the preceding paragraph may, in their own name, directly file an action to the People's Court for the interest of the Company.

In the event that any other person infringes upon the legitimate rights and interests of the Company and causes losses thereto, the shareholders specified in paragraph 1 of this Article may file an action with the People's Court pursuant to the provisions of the preceding two paragraphs.

In the event that a director or senior management violates laws, administrative regulations or the Articles of Association, thereby damaging the interests of the shareholder(s), the shareholder(s) may file an action with the People's Court.

---

## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

---

The shareholders of the Company shall have the following obligations:

- (I) to comply with laws, administrative regulations, and the Articles of Association;
- (II) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (III) not to withdraw shares unless required by laws and regulations;
- (IV) not to abuse their shareholders' rights to harm the legitimate interests of the Company or other shareholders; and not to abuse the independent legal person status of the Company and the limited liability of shareholders to harm the legitimate interests of any creditor of the Company;
- (V) any other obligations imposed by laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and thereby cause loss to the Company or other shareholders shall be liable for indemnity according to the law.

Where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

Where a shareholder holding 5% or more voting shares of the Company pledges any shares in his/her possession, he/she shall make a written report to the Company on the day on which he/she pledges his/her shares.

### **RESTRICTION ON RIGHTS OF THE CONTROLLING SHAREHOLDERS**

The controlling shareholders and de facto controllers of the Company shall not use their connections to harm the interests of the Company. Any person who violates this provision and causes losses to the Company shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties towards the Company and other shareholders of the Company. The controlling shareholders shall exercise their rights as contributors in strict compliance with the laws. The controlling shareholders shall not infringe the legitimate rights of the Company and other shareholders of the Company through profit distribution, asset restructuring, foreign investment, capital appropriation and loan guarantee, and shall not make use of their controlling status to jeopardize the interests of the Company and other shareholders of the Company.

## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

### SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with the laws:

- (I) to decide on the Company's operational policies and investment plans;
- (II) to elect and remove directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors;
- (III) to consider and approve reports of the Board of Directors;
- (IV) to consider and approve reports of the Supervisory Committee;
- (V) to consider and approve the Company's proposals for annual financial budget and final accounts;
- (VI) to consider and approve the Company's profit distribution plans and loss recovery plans;
- (VII) to decide on any increase or reduction of the Company's registered capital;
- (VIII) to decide on the issue of corporate bonds;
- (IX) to decide on issues such as merger, division, dissolution, liquidation and change of form of the Company;
- (X) to amend the Articles of Association;
- (XI) to decide on the engagement or dismissal of the accounting firm of the Company;
- (XII) to consider and approve the guarantees as provided for in Article 42 of the Articles of Association;
- (XIII) to consider the purchase or disposal of substantial assets of the Company with an amount exceeding 30% of the latest audited total assets of the Company within one year;
- (XIV) to consider and approve matters relating to changes in the use of [REDACTED];
- (XV) to consider equity incentive plans and employee stock ownership plans;
- (XVI) to consider other matters which are required to be determined at the shareholders' general meeting as required by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] or the Articles of Association.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

Subject to otherwise stipulated in the laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the CSRC, the functions and powers of the general meeting mentioned above shall not be delegated to the Board of Directors or any other body or individual. However, the Board of Directors or a director may be authorized to act on or give effect to the relevant resolutions when the relevant resolutions are voted upon at a general meeting.

Shareholders' general meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be held by the Company once every year and within six months from the close of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within 2 months upon the occurrence of the following events:

- (I) the number of directors is less than the number as stipulated in Company Law or less than two-thirds of the number as specified in the Articles of Association;
- (II) the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (III) on request by the shareholder(s) individually or collectively holding 10% or more of the shares of the Company;
- (IV) whenever the Board considers it necessary;
- (V) when the Supervisory Committee proposes to hold such a meeting;
- (VI) any other circumstances as stipulated in the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] or the Articles of Association.

### **CONVENING OF SHAREHOLDERS' GENERAL MEETINGS**

The independent non-executive directors shall have the right to propose to the Board to convene an extraordinary general meeting. In response to a proposal by an independent non-executive director to convene an extraordinary general meeting, the Board shall, in accordance with the provisions of laws, administrative regulations, and the Articles of Association, give a written response as to whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such proposal.

The Supervisory Committee shall have the right to propose to the Board to convene an extraordinary general meeting and such proposal shall be made to the Board in writing. The Board shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within 10 days upon receipt of the proposal in accordance with the requirements of the laws, administrative regulations, and the Articles of Association.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

Shareholder(s) individually or collectively holding 10% or more of the shares of the Company shall have the right to request the Board to convene an extraordinary general meeting and such request shall be made to the Board in writing. The Board shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations, and the Articles of Association

### **PROPOSALS OF SHAREHOLDERS' GENERAL MEETINGS**

The contents of a proposal shall be within the scope of the duties and powers of the shareholders' general meeting, have definite themes and specific matters for resolutions, as well as be in compliance with the relevant requirements of the laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association.

The Board, the Supervisory Committee, and shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to make a proposal to the Company at a shareholders' general meeting of the Company.

The shareholder(s) individually or jointly holding more than 3% of the Company's shares may make provisional proposals in writing to the convener of a shareholders' general meeting 10 days prior to the meeting. The convener shall issue a supplementary notice of the shareholders' general meeting and announce the contents of such provisional proposals within two days after receipt thereof.

Except as provided by the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals already specified in the notice of the shareholders' general meeting or add new proposals subsequent to the issue of the notice of the shareholders' general meeting.

Proposals which are not specified in the notice of the shareholders' general meeting or which do not comply with Article 53 of the Articles of Association shall not be voted on and resolved at the shareholders' general meeting.

### **NOTICES OF SHAREHOLDERS' GENERAL MEETINGS**

The convener shall notify shareholders by announcement no later than 20 days prior to the date of the annual general meeting and no later than 15 days prior to the date of the extraordinary general meeting.

The date of the meeting shall not be included when the Company calculates the starting date.

Notice of shareholders' general meeting shall include the following content:

- (I) the date, venue, and duration of the meeting;
- (II) matters and proposals to be considered at the meeting;
- (III) an express statement that a shareholder is entitled to attend the shareholders' general meeting, and to appoint proxy(ies) to attend and vote on his/her behalf at the meeting, and that a proxy need not be a shareholder of the Company;

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

(IV) the record date for determining the shareholders who are entitled to attend the shareholders’ general meeting;

The interval between the share registration date and the meeting date shall comply with the regulatory rules of the place where the Company’s shares are [REDACTED]. Once the shareholding registration date is confirmed, it may not be changed; if it needs to be changed, the procedures stipulated in the regulatory rules of the place where the Company’s shares are [REDACTED] must be complied with.

(V) the name and phone number (if any) of the coordinator of the meeting;

(VI) the time and procedures for voting online or by other means.

The notice of shareholders’ general meeting and its supplementary notice shall fully, completely disclose and explain the details of all proposals. If the matters to be discussed require the opinions of the independent directors, the opinions of the independent non-executive directors and the reasons therefor shall be disclosed at the same time when the notice of shareholders’ general meeting or its supplementary notice is issued.

### **HOLDING OF SHAREHOLDERS’ GENERAL MEETINGS**

All shareholders of the Company or their proxies recorded in the register on the record date shall have the right to attend general meetings. Shareholders are entitled to speak and vote at the general meetings in accordance with the relevant laws and regulations and the Articles of Association, unless individual shareholders are required by the Hong Kong Listing Rules to abstain from voting on individual matters. Pursuant to the applicable laws and regulations and the listing rules of the stock exchange on which the Company’s shares are [REDACTED], where any shareholder is required to abstain from voting on any particular resolution, or where any shareholder is restricted from voting only for or only against any particular resolution, and in the event of any contravention of any such requirement or restriction, the votes cast by or on behalf of such shareholder shall not be counted towards the result of the vote.

Shareholders may attend the general meeting in person or appoint one or more persons (who may not be shareholders) as their proxy to attend and vote on their behalf.

All directors, supervisors and the secretary to the Board of Directors shall be present at the general meeting, and managers and other senior management members shall be in attendance at general meetings.

A shareholders’ general meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman is incapable of performing or is not performing his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his/her duties, a director jointly nominated by half or more of the directors shall preside over the meeting.

A shareholders’ general meeting convened by the Supervisory Committee shall be chaired by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor jointly recommended by more than one half of the supervisors shall chair the meeting.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

A shareholders' general meeting convened by the shareholders themselves shall be chaired by a representative elected by the convener.

When a shareholders' general meeting is held and the chairperson violates the rules of procedure which makes it difficult for the shareholders' general meeting to continue, a person may be elected at the shareholders' general meeting to act as the chairperson, subject to the approval of more than half of the attending shareholders with voting rights.

### **VOTING AND RESOLUTIONS AT SHAREHOLDERS' GENERAL MEETINGS**

The resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution shall be adopted by more than one half of the votes held by the shareholders (including proxies of shareholders) attending the shareholders' general meeting.

A special resolution shall be adopted by more than two-thirds of the votes held by the shareholders (including proxies of shareholders) attending the shareholders' general meeting.

The following matters shall be approved by the shareholders' general meeting through ordinary resolutions:

- (I) work reports of the Board of Directors and the Supervisory Committee;
- (II) profit distribution plans and loss recovery plans drafted by the Board of Directors;
- (III) appointment or dismissal of the members of the Board of Directors and the Supervisory Committee, their remunerations and the method of payment thereof;
- (IV) the Company's annual budgets and final accounts;
- (V) appointment, dismissal and removal of the accounting firm;
- (VI) annual report of the Company;
- (VII) other matters other than those approved by special resolution as stipulated in the laws, administrative regulations, regulatory rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association.



## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

The following matters shall be approved by special resolution at the shareholders' general meeting:

- (I) the increase or decrease of the registered capital of the Company;
- (II) division, spin-off, merger, dissolution and liquidation (including voluntary liquidation) of the Company;
- (III) amendment of the Articles of Association (regardless of any form);
- (IV) substantial assets acquired or disposed of or security provided by the Company for an amount exceeding 30% of the latest audited total assets of the Company within one year;
- (V) equity incentive plans and employee stock ownership plans;
- (VI) other matters as required by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] or the Articles of Association, and confirmed by an ordinary resolution at a shareholders' general meeting that it may have a material impact on the Company and accordingly shall be approved by special resolutions.

If at any time the share capital of the Company is divided into different classes of Shares, the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the separate shareholders' general meeting convened by the affected class shareholders.

The voting at the shareholders' general meeting shall be conducted by a registered poll. Shareholders (including proxies) shall exercise their voting rights by the number of voting shares they represent, and each share shall have one vote. Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at the general meeting.

The resolutions of the general meeting shall be announced in a timely manner, and the announcement shall indicate the number of shareholders and proxies that attended the meeting, the total number of voting shares and its proportion to the total share capital carrying voting rights of the Company, and the voting method, voting results of each resolution and details of each resolution passed.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **DIRECTORS AND BOARD OF DIRECTORS**

#### **Directors**

Directors shall be elected or replaced at the shareholders' general meetings each for a term of three years. A director may seek reelection upon expiry of the said term. Prior to the maturity of his/her term, a director shall not be removed without cause from his/her office by the general meeting.

The term of office of a director shall commence from the date on which the said director assumes office to the expiry of the current term of the Board of Directors. If the term of office of a director expires but re-election is not made in a timely manner, the said director shall continue to perform the duties as director pursuant to the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association until the elected director assumes his/her office.

The shareholders' general meeting may by ordinary resolution remove any director (including general manager or other executive director) before the expiration of his/her term of office on the condition that all the relevant laws and administrative regulations are fully complied with; however, the claim for compensation made by the director under any contract shall not be affected by the removal.

Directors need not hold any shares of the Company. Directors shall observe laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association, and shall fulfil the obligations of honesty and diligence to the Company.

#### **Board of Directors**

The Company shall have a Board of Directors, which is responsible to the shareholders' general meeting. The Board of Directors consists of 8 directors, with one chairman. Independent non-executive directors shall comprise one-third or more of the members of the Board and shall not be less than three members. All directors are elected at the shareholders' general meeting.

The Board of Directors exercises the following functions and powers:

- (I) to convene the shareholders' general meeting and report on work to the shareholders' general meeting;
- (II) to implement the resolutions of the shareholders' general meeting;
- (III) to determine the business and investment plans of the Company;
- (IV) to devise the annual financial budget and closing account plans of the Company;
- (V) to devise the profit distribution plans and loss recovery plans of the Company;
- (VI) to formulate the plans for increasing or decreasing the Company's registered capital, the issuance of bonds or other securities, as well as the [REDACTED] of the Company;

## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VII) to formulate plans for major acquisitions of the Company, the buy-back of shares of the Company, or merger, division, dissolution and change of the form of the Company;
- (VIII) to determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external financing within the scope authorized by the shareholders' general meeting;
- (IX) to decide on the setup of the Company's internal management organization;
- (X) to appoint or dismiss the general manager, the secretary to the Board of Directors and other senior management members, and determine their remunerations and rewards and punishments; based on the nomination of the general manager, to appoint or dismiss senior management members of the Company such as deputy general manager and finance manager, and determine their remunerations and rewards and punishments;
- (XI) to set the basic management systems of the Company;
- (XII) to make the modification plan to the Articles of Association;
- (XIII) to manage the disclosure of company information;
- (XIV) to propose the appointment or replacement of the accounting firm that performs audits for the Company at the shareholders' general meeting;
- (XV) to attend to the work report of the Company's general manager and review the work of the general manager;
- (XVI) other powers and duties authorized by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are [REDACTED] or the Articles of Association.

Matters beyond the scope authorized by the general meeting shall be submitted to the general meeting for deliberation.

Board meetings shall be held at least four times a year. Meetings shall be convened by the chairman of the Board of the Directors. Written notice shall be given to all Directors and Supervisors at least 14 days before the meeting is held.

The Board meeting shall be attended by more than one half of the directors. Resolutions made by the Board of Directors shall be approved by a majority of all directors.

Voting on the resolutions of the Board of Directors shall be conducted on a one-person-one vote basis.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **Special Committees under the Board of Directors**

The Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee are established under the Board of Directors of the Company. The special committees shall consist of no less than three directors. Of which more than half members of the Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee shall be independent non-executive directors. The convener of the Audit Committee shall be an accounting professional.

The terms of reference and procedures of each special committee are set out in the rules of procedure of each special committee formulated by the Board of Directors of the Company.

### **Secretary to the Board of Directors of the Company**

The Company shall have a secretary to the Board of Directors of the Company. The secretary to the Board of Directors of the Company shall be responsible for the preparation of general meetings and board of directors' meetings, documents custody and management of the Company shareholders' information, handling of disclosure of news, etc.

The secretary to the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

### **General Manager and Other Senior Management Members**

The Company shall have one general manager of whom shall be appointed or dismissed by the Board of Directors. Each term of office of the general manager is three years and is renewable upon re-election.

The general manager is responsible to the Board of Directors and exercises the following powers:

- (I) to be in charge of the production and operational management of the Company, organize the enforcement of resolutions of the Board of Directors and report to the Board of Directors on work;
- (II) to organize the implementation of the annual operation plans and investment schemes of the Company;
- (III) to formulate the structure scheme of the internal management department of the Company;
- (IV) to formulate the fundamental management policies of the Company;
- (V) to formulate the specific management rules of the Company;
- (VI) to propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager and other senior management;
- (VII) to decide on the appointment or dismissal of responsible management personnel except those whose appointment or dismissal shall be determined by the Board of Directors;

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

(VIII) other functions and powers authorized by the Articles of Association and the Board of Directors.

The Company can have a few deputy general managers and shall have one secretary to the Board of Directors, one finance manager, and other senior management members, all of whom shall be senior management of the Company and appointed or dismissed by the Board of Directors.

### **SUPERVISORS AND SUPERVISORY COMMITTEE**

#### **Supervisors**

Directors, the general manager and other senior management members shall not serve as supervisors concurrently.

Supervisors shall serve a term of three years and the term is renewable upon reelection when it expires. If the term of office of a supervisor expires but re-election is not made in a timely manner or if any supervisor resigns during his term of office so that the membership of the Supervisory Committee falls short of the quorum, the said supervisor shall continue to perform the duties as supervisor pursuant to the laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association until the elected supervisor assumes his office.

The supervisors shall observe the laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the Articles of Association, shall fulfil the obligations of honesty and diligence to the Company, shall carry out their supervision duties faithfully, and shall not abuse their official powers to accept bribes or other unlawful income or expropriate the Company's property.

#### **Supervisory Committee**

The Company shall have a Supervisory Committee, which shall be composed of three supervisors.

One of the members of the Supervisory Committee shall act as the chairman, of whom shall be elected by a majority of its members. Meetings of the Supervisory Committee shall be convened and presided over by the chairman of the Supervisory Committee; if the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor who has been elected by more than one half of the supervisors shall convene and preside over the meeting of the Supervisory Committee.

The proportion of employee representatives shall not be less than one-third of the members of the Supervisory Committee. The employee representatives in the Supervisory Committee shall be elected democratically by the employees of the Company at the employee representatives' meeting, employees' meeting or in other forms.

The Supervisory Committee shall exercise the following functions and powers:

- (I) to examine the regular reports of the Company prepared by the Board of Directors and produce written opinions thereon;
- (II) to examine the financial operations of the Company;

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (III) to supervise the performance of duties to the Company by the directors and senior management, and propose dismissal of any director or senior management member who violates the laws, administrative regulations, the Articles of Association, regulatory rules of the place where the Company's shares are [REDACTED] or resolutions of shareholders' general meeting;
- (IV) to require directors and senior management members to make corrections if their conduct has damaged the interests of the Company;
- (V) to propose the convening of an extraordinary general meeting, and to convene and preside over the shareholders' general meeting when the Board of Directors fails to perform such duties as specified in the Company Law;
- (VI) to submit proposals to the shareholders' general meeting;
- (VII) to institute legal proceedings against the directors and senior management members according to the Company Law;
- (VIII) in the event that the Supervisory Committee discovers any unusual operation of the Company, it may conduct an investigation and, when necessary, may engage professionals, such as accounting firms and law firms, to assist in its work; any expenses incurred thereby shall be borne by the Company.

Regular meetings of the Supervisory Committee shall be held once every six months. Supervisors may propose to convene interim meetings of the Supervisory Committee. The resolutions of the Supervisory Committee shall be passed by more than half of the supervisors.

### **FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT**

#### **Financial and Accounting System**

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations, regulatory rules of the place where the Company's shares are [REDACTED] and the accounting principles of the China formulated by the Ministry of Finance.

At the end of each accounting year, the Company shall prepare a financial report which shall be audited by the accounting firm according to law.

The Board of Directors of the Company shall place before the shareholders at each general meeting such financial reports as relevant laws, administrative regulations and normative documents promulgated by the local government and the authorities-in-charge as well as the provisions of the place where the Company's shares are [REDACTED] require the Company to prepare.

The Company's financial reports shall be made available for shareholders' inspection at the Company 20 days prior to the date of the annual general meeting.

## **APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION**

The Company shall despatch (herein referred to as “send”) by post, with postage prepaid, to each holder of overseas listed shares an annual report comprising the annual accounts and a copy of the auditor’s report thereon not less than 21 days before the date of the annual general meeting.

The Company shall prepare its financial statement not only in accordance with the Chinese accounting standards and regulations but also the international accounting standards or the accounting standards in the overseas listing place.

### **Profit Distribution**

In distributing the after-tax profit of the current year, the Company shall withdraw 10% of the profit as its statutory reserve fund. When the aggregate amount of the statutory reserve fund of the Company is more than 50% of its registered capital, further appropriations are not required.

Where the statutory reserve fund of the Company is insufficient to make up for the losses of the previous year, the profits of the current year shall be used to make up for such losses before making allocation to its statutory reserve fund in accordance with the preceding paragraph.

After withdrawing statutory reserve fund from after-tax profit, the Company may, subject to a resolution of the shareholders’ general meeting, withdraw discretionary reserve fund from after-tax profit.

After making up for the losses and making allocations to the reserve funds, any remaining after-tax profit shall be distributed by the Company to the shareholders in proportion to their respective shareholdings unless otherwise specified in the Articles of Association.

If the shareholders’ general meeting has, in violation of the provisions of the preceding paragraph, distributed profits to shareholders before the Company has made up for its losses and made allocations to its statutory reserve fund, the shareholders shall return to the Company the profit distributed in violation of the provisions.

The Company’s shares held by the Company are not entitled to any profit distribution.

### **Audit**

The Company shall implement its internal audit system with professional auditors to carry out internal audit supervision to the financial income and expenditure and economic activities of the Company.

The Company shall engage an accounting firm which complies with the requirements of the Securities Law and the regulatory rules of the place where the Company’s shares are [REDACTED] to audit the financial statements, net assets verification and other relevant consultancy services. The term of office of an accounting firm appointed by the Company shall be one year, and the appointment may be renewed.

---

## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

---

### NOTICE AND ANNOUNCEMENT

The notices of the Company may be served as follows:

- (I) by hand;
- (II) by post (including email);
- (III) by announcement;
- (IV) by fax;
- (V) by other means as specified by the listing rules of the place where the Company's shares are [REDACTED] and the securities regulatory authority or as approved or provided by the Articles of Association.

Where the Company issues a notice by public announcement, all relevant personnel shall be deemed to have received such notice once the public announcement has been made.

The Company shall publish the corporate announcements and other information required to be disclosed in the information disclosure media that comply with the laws and administrative regulations such as the Company Law and the Securities Law and the regulatory requirements of the place where the Company's shares are [REDACTED].

### MERGER, DIVISION, DISSOLUTION AND LIQUIDATION

#### Merger and Division

The merger of the Company may take the form of either merger by absorption or merger by establishment of a new entity.

Merger by absorption means that a company absorbing another company and the company being absorbed shall be dissolved. Merger by establishment of a new entity means that a merger of two or more companies through the establishment of a new company and the companies being consolidated shall be dissolved.

Where a merger or division of the Company involves any changes to any registration, an application for modification of registration shall be made to the company registration authority pursuant to the law; where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law; where a new company is established, the Company shall apply for registration thereof in accordance with law.



## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

---

### **Dissolution and Liquidation**

In any of the following circumstances, the Company shall be dissolved:

- (I) the term of business set out in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;
- (II) a resolution for dissolution is passed at a shareholders' general meeting;
- (III) dissolution is necessary due to a merger or division of the Company;
- (IV) the business license is revoked, the Company is ordered to close or is eliminated according to law;
- (V) the Company has experienced material difficulties in operation and management, and the continuous operation would lead to substantial losses to the interests of its shareholders and there are no other solutions to resolve the matters. Shareholders holding 10% or more of the total voting rights of the Company's shareholders may appeal to the People's Court for dissolution of the Company.

In the event of (I) above, the Company may carry on its existence by amending the Articles of Association.

The amendments to the Articles of Association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the Company is dissolved pursuant to (I), (II), (IV) and (V) above, a liquidation committee shall be formed within 15 days from the date of occurrence of such grounds for dissolution, to start the liquidation process. The composition of the liquidation committee shall be determined by directors or the shareholders' general meeting. In case no such committee is established to timely proceed with liquidation, the creditors may make an application to the People's Court for appointing relevant persons to form the liquidation committee for liquidation.

## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

---

### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Under any of the following circumstances, the Company shall amend the Articles of Association:

- (I) after amendment has been made to the Company Law or relevant laws, administrative regulations and regulatory requirements of the place where the Company's shares are **[REDACTED]**, the contents of the Articles of Association are in conflict with the amended laws or administrative regulations;
- (II) the changes that the Company have undergone are inconsistent with the records made in the Articles of Association;
- (III) the shareholders' general meeting has resolved to amend the Articles of Association.

The Board of Directors shall revise the Articles of Association in accordance with the resolutions of the shareholders' general meeting to amend the Articles of Association and the examination and approval opinions of the relevant competent authorities.

Where the amendments to the Articles of Association passed by the shareholders' general meetings are subject to the examination and approval or filing by the competent authorities, such amendments shall be submitted to the competent authorities for approval or filing. Where the amendments involve registration particulars of the Company, the Company shall register relevant changes according to law.

If the amendments to the Articles of Association are within the scope of information that must be disclosed as required by laws and regulations, they shall be made public according to the provisions.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

### 1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the [REDACTED] in H Shares, nor does it take the specific circumstances of any particular [REDACTED] into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an [REDACTED] in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

#### The PRC Taxation

##### A. Taxation on Dividends

###### *Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was latest amended on August 31, 2018 and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty.

Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual holds more than one year of the shares of a listed company obtained from the public offering and transfer of the stock market of the listed company, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfer of the stock market by the listed company, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), in effect since December 6, 2019, states that such treaty benefits shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit. Exceptions are made when such benefits align with the Arrangement’s relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81), in effect since February 20, 2009. Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

### *Enterprise Investors*

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) enacted by the National People’s Congress (“**NPC**”) on March 16, 2007, and enforced from January 1, 2008, subsequently amended on February 24, 2017, and December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and effective from January 1, 2008, amended in 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. Such withholding tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation. Such withholding tax payable by non-resident enterprises is deducted at source, where the payer, as the obligor for the withholding tax, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

The Circular on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas nonresident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Nonresident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to nonresident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), in effect since December 6, 2019, states that such treaty benefits shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81), in effect since February 20, 2009. Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

### *Tax Treaties*

Non-PRC resident investors residing in countries which have entered into agreements for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC has entered into Avoidance of Double Taxation Arrangements with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the PRC tax authorities.

### **The Hong Kong Taxation**

#### *Tax on Dividends*

Under the current practice of the Inland Revenue Department of Hong Kong, we are not subject to tax in Hong Kong on the payment of dividends.

#### *Capital Gains and Profit Tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

#### *Stamp Duty*

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

### *Estate Duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 (《2005年收入(取消遺產稅)條例》) came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

### **B. Taxation on Share Transfer**

#### *Value-Added Tax and Local Surcharges*

Under the guidelines outlined in the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (“**Circular 36**”), effective from May 1, 2016, and subsequently amended on July 11, 2017, December 25, 2017, and March 20, 2019, individuals and entities conducting service transactions within the PRC are obligated to pay Value-Added Tax (“**VAT**”). “Sales of services within the PRC” are defined as transactions where either the service provider or the recipient is situated within the PRC.

Furthermore, Circular 36 specifies that the transfer of financial products, including the ownership transfer of marketable securities, is subject to a VAT rate of 6% on the taxable income. Taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers. Notably, individuals are exempt from VAT obligations when engaging in the transfer of financial products.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

#### *Income Taxes*

##### *Individual Investors*

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, in accordance with the Circular of the Ministry of Finance (“**MOF**”) and the STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61), issued jointly by the MOF and STA on March 30, 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since January 1, 1997.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

However, on December 31, 2009, the MOF, the STA, and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167). This circular, effective from January 1, 2010, stipulates that individuals’ income derived from the transfer of listed shares acquired through public offerings and trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange remains exempt from individual income tax. This exemption applies to shares not subject to sales restrictions, as defined in the Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70), jointly issued by the three aforementioned departments and effective from November 10, 2010.

As of the Latest Practicable Date, there are no provisions expressly stating that individual income tax shall be imposed on non-PRC resident individuals for the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

### Enterprise Investors

In accordance with the EIT Law and the Implementation Regulations of the Enterprise Income Tax Law of the PRC, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realized from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments. The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It’s important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the avoidance of double taxation.

### *Stamp Duty*

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), as issued by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to all kinds of documents which are legally binding in the PRC and protected by the PRC laws. Therefore, the PRC stamp duty does not apply to the acquisition or disposal of H Shares outside the PRC.

### *Estate Duty*

Under prevailing PRC legislation, there is presently no imposition of estate duty within the jurisdiction.



## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

### 2. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi (“RMB”), which is currently subject to foreign exchange control and cannot be freely converted into foreign exchange. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the “**Regulations on Foreign Exchange Administration**”) which became effective on April 1, 1996. The Regulations on Foreign Exchange Administration classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the SAFE’s approval, while capital account items are still subject to such approval. The Regulations on Foreign Exchange Administration were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Regulations on Foreign Exchange Administration clearly states that PRC will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Settlement Regulations**”), which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Reforming the RMB Exchange Rate Regime issued by the PRC (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16) on July 21, 2005, starting from July 21, 2005, the PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

On August 5, 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration (the “**Amended Regulations on Foreign Exchange**”) which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures on international balance of payments when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to the SAFE to enhance its supervisory and administrative capacity.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批專案等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the document and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

## APPENDIX V

## TAXATION AND FOREIGN EXCHANGE

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which, among other things, allows all foreign investment enterprises to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

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

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### 1. FURTHER INFORMATION ABOUT OUR GROUP

#### Incorporation

Our Company was established as a limited liability company under the laws of the PRC on April 28, 2004 and was converted into a joint stock company with limited liability on November 7, 2018.

Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [•], 2024, with Ms. Yung Mei Yee appointed as the authorized representative of our Company for acceptance of the service of process and any notices required to be served on our Company in Hong Kong.

As we were established in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix III and Appendix IV, respectively.

#### Changes in the Share Capital of our Company

On April 28, 2004, the predecessor of our Company was established as a limited liability company under the laws of the PRC with a registered capital of RMB1,000,000.

There has been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

#### Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants’ Report as set out in Appendix I.

The following subsidiaries of our Company were established within two years immediately preceding the date of this document:

No.	Name of Subsidiary	Place of Establishment	Date of Establishment
1	Zhou Liu Fu Brand Management (Chongqing) Co., Ltd. (周六福品牌管理(重庆)有限公司)	PRC	February 28, 2023
2	Shenzhen Chaoyou Gravity Jewellery Co., Ltd. (深圳市潮有引力珠宝有限公司)	PRC	April 10, 2023
3	Zhou Liu Fu Jewellery (Wuhu) Co., Ltd. (周六福珠宝(芜湖)有限公司)	PRC	June 7, 2023
4	Zhou Liu Fu Trading (Wuhan) Co., Ltd. (周六福贸易(武汉)有限公司)	PRC	June 7, 2024

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Name of Subsidiary	Place of Establishment	Date of Establishment
5	Zhou Liu Fu Jewellery (Quanzhou) Co., Ltd. (周六福珠宝(泉州)有限公司)	PRC	June 14, 2023
6	Guiyang Zhou Liu Fu Jewellery Co., Ltd. (贵阳周六福珠宝有限公司)	PRC	June 27, 2023
7	Zhou Liu Fu Jewellery (Wuhan) Co., Ltd. (周六福珠宝(武汉)有限公司)	PRC	June 29, 2023
8	Zhenai Jewellery (Nanjing) Co., Ltd. (臻爱珠宝(南京)有限公司)	PRC	June 29, 2023
9	Inheritance Zhou Liu Fu Jewellery (Jinan) Co., Ltd. (传承周六福珠宝(济南)有限公司)	PRC	June 30, 2023
10	Zhou Liu Fu Jewellery (Henan) Co., Ltd. (周六福珠宝(河南)有限公司)	PRC	July 3, 2023
11	Zhou Liu Fu Jewellery (Xinjiang) Co., Ltd. (周六福珠宝(新疆)有限公司)	PRC	July 3, 2023
12	Zhou Liu Fu Jewellery (Shanxi) Co., Ltd. (周六福珠宝(山西)有限公司)	PRC	July 5, 2023
13	Zhou Liu Fu Jewellery (Hangzhou) Co., Ltd. (周六福珠宝(杭州)有限公司)	PRC	July 6, 2023
14	Zhou Liu Fu Jewellery (Yunnan) Co., Ltd. (周六福珠宝(云南)有限公司)	PRC	July 6, 2023
15	Zhou Liu Fu Jewellery (Shaanxi) Co., Ltd. (周六福珠宝(陕西)有限公司)	PRC	July 10, 2023
16	Zhou Liu Fu Jewellery (Inner Mongolia) Co., Ltd. (周六福珠宝(内蒙古)有限公司)	PRC	July 12, 2023
17	Fu Jia Jin Jewellery (Lanzhou) Co., Ltd. (福家金珠宝(兰州)有限公司)	PRC	July 12, 2023
18	Zhou Liu Fu Jewellery (Yichang) Co., Ltd. (周六福珠宝(宜昌)有限公司)	PRC	July 27, 2023
19	Zhou Liu Fu Jewellery (Ezhou) Co., Ltd. (周六福珠宝(鄂州)有限公司)	PRC	July 27, 2023

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

<b>No.</b>	<b>Name of Subsidiary</b>	<b>Place of Establishment</b>	<b>Date of Establishment</b>
20	Zhou Liu Fu Jewellery (Xiantao) Co., Ltd. (周六福珠宝(仙桃)有限公司)	PRC	July 27, 2023
21	Zhou Liu Fu Jewellery (Shenyang) Co., Ltd. (周六福珠宝(沈阳)有限公司)	PRC	August 10, 2023
22	Nanning Zhou Liu Fu Jewellery Co., Ltd. (南宁周六福珠宝有限公司)	PRC	August 24, 2022
23	Zhou Liu Fu Jewellery (Liuzhou) Co., Ltd. (周六福珠宝(柳州)有限公司)	PRC	August 24, 2023
24	Zhou Liu Fu Jewellery (Yueyang) Co., Ltd. (周六福珠宝(岳阳)有限公司)	PRC	September 6, 2022
25	Shenzhen Zhenbao Brand Management Co., Ltd. (深圳市臻宝品牌管理有限公司)	PRC	September 13, 2023
26	Shenzhen Zhenbao Network Technology Co., Ltd. (深圳市臻宝网络科技有限公司)	PRC	September 13, 2023
27	Zhou Liu Fu Jewellery (Nanchang) Co., Ltd. (周六福珠宝(南昌)有限公司)	PRC	September 26, 2022
28	Shenzhen Zhou Liu Fu Training Co., Ltd. (深圳市周六福培训有限公司)	PRC	October 14, 2022
29	Wuhan Jiangxia Zhou Liu Fu Jewellery Trading Co., Ltd. (武汉江夏周六福珠宝贸易有限公司)	PRC	October 27, 2023
30	Zhou Liu Fu Jewellery (Changsha) Co., Ltd. (周六福珠宝(长沙)有限公司)	PRC	November 6, 2023
31	Zhou Liu Fu Brand Management (Hefei) Co., Ltd. (周六福品牌管理(合肥)有限公司)	PRC	November 9, 2023
32	Zhou Liu Fu Brand Management (Fuzhou) Co., Ltd. (周六福品牌管理(福州)有限公司)	PRC	November 20, 2023
33	Zhou Liu Fu Brand Management (Nanchang) Co., Ltd. (周六福品牌管理(南昌)有限公司)	PRC	November 21, 2023
34	Zhou Liu Fu Brand Management (Henan) Co., Ltd. (周六福品牌管理(河南)有限公司)	PRC	November 29, 2023

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Name of Subsidiary	Place of Establishment	Date of Establishment
35	Zhou Liu Fu Brand Management (Chengdu) Co., Ltd. (周六福品牌管理(成都)有限公司)	PRC	December 4, 2023
36	Zhou Liu Fu Jewellery (Taiyuan) Co., Ltd. (周六福珠宝(太原)有限公司)	PRC	December 13, 2023
37	Zhou Liu Fu Trading (Jiangxi) Co., Ltd. (周六福贸易(江西)有限公司)	PRC	December 14, 2023
38	Zhou Liu Fu Brand Management (Beijing) Co., Ltd. (周六福品牌管理(北京)有限公司)	PRC	December 14, 2023
39	Zhou Liu Fu Brand Management (Changsha) Co., Ltd. (周六福品牌管理(长沙)有限公司)	PRC	December 19, 2023
40	Zhou Liu Fu Jewellery (Kunming) Co., Ltd. (周六福珠宝(昆明)有限公司)	PRC	December 19, 2023
41	Zhou Liu Fu Jewellery (Nanjing) Trading Co., Ltd. (周六福珠宝(南京)贸易有限公司)	PRC	December 20, 2023
42	Xizang Zhou Liu Fu Information Technology Co., Ltd. (西藏周六福信息科技有限公司)	PRC	April 12, 2024
43	Xizang Zhou Liu Fu Trading Co., Ltd. (西藏周六福商贸有限公司)	PRC	April 24, 2024
44	Zhou Liu Fu Jewellery (Heifei) Co., Ltd. (合肥周六福珠寶有限公司)	PRC	June 17, 2024

There has been no alteration in the registered capital of subsidiaries of our Company within two years immediately preceding the date of this document.

As of the Latest Practicable Date, all subsidiaries of our Company were owned as to 100% by our Company.

### Resolutions of Our Shareholders

At the extraordinary general meeting of our Company held on June 23, 2024, the following resolutions, among other things, were duly passed:

- (i) the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares to be [REDACTED] on the Stock Exchange;

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

- (ii) the number of H shares to be issued shall be up to [REDACTED] of the enlarged issued share capital of our Company upon the completion of the [REDACTED];
- (iii) subject to the filing procedure with the CSRC, upon completion of the [REDACTED], [REDACTED] Unlisted Shares will be converted into H Shares on a [REDACTED] basis;
- (iv) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of H Shares on the Stock Exchange; and
- (v) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

### 2. FURTHER INFORMATION ABOUT OUR BUSINESS

#### Summary of Material Contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material to us:

- (a) a state-owned construction land use rights transfer agreement dated November 29, 2022 entered into between Shenzhen Municipal Planning and Natural Resources Bureau Luohu Management Bureau (深圳市規劃和自然資源局羅湖管理局) and our Company, pursuant to which Shenzhen Municipal Planning and Natural Resources Bureau Luohu Management Bureau transferred the state-owned construction land use rights of the land located at north side of Qingjun Road, Qingshuihe Street, Luohu District to our Company for a term of 30 years from November 29, 2022 to November 28, 2052 at the consideration of RMB86,300,000;
- (b) a construction costs payment agreement dated December 5, 2022 entered into between Shenzhen Luohu Investment Holdings Co., Ltd. (深圳市羅湖投資控股有限公司) and our Company, pursuant to which our Company agreed to pay construction costs of the 7,200 square meters of innovative industrial buildings and the capital-occupation costs of the construction costs advanced in the early stage of construction to the Luohu District People’s Government (羅湖區人民政府) in accordance with the Shenzhen Total Cost Standards of Various Types of Property Construction and Installation Works (深圳市各類物業建築安裝工程總造價標準);
- (c) an asset transfer agreement dated September 1, 2023 entered into between Shenzhen Dongfang Jiayu Industrial Co., Ltd. (深圳市東方嘉裕實業有限公司) (“**Shenzhen Dongfang Jiayu**”) and Zhou Liu Fu Retail E-commerce, our wholly owned subsidiaries, pursuant to which Shenzhen Dongfang Jiayu transferred certain of its store resources, equipment, decoration, software use rights and paid deposit claims to Zhou Liu Fu Retail E-commerce, at a consideration to be determined based on valuation report as agreed by both parties and amount of deposits paid by Shenzhen Dongfang Jiayu;



## **APPENDIX VI STATUTORY AND GENERAL INFORMATION**

- (d) a transfer agreement dated September 1, 2023 entered into between Shenzhen Dongfang Jiayu and Zhou Liu Fu Retail E-commerce, pursuant to which Shenzhen Dongfang Jiayu transferred certain of its store equipment, decoration, and paid deposit claims to Zhou Liu Fu Retail E-commerce, at a consideration to be determined based on valuation report as agreed by both parties and amount of deposits paid by Shenzhen Dongfang Jiayu;
- (e) a registered trademark and patent transfer agreement dated July 1, 2023 entered into between Shenzhen Dongfang Jiayu and Zhou Liu Fu Retail E-commerce, pursuant to which Shenzhen Dongfang Jiayu transferred certain of its registered trademark and patent to Zhou Liu Fu Retail E-commerce, at a consideration to be determined based on valuation report as agreed by both parties;
- (f) the third supplemental agreement to the equity transfer agreement dated November 23, 2018 entered into among Jinyu Fuyuan, Mr. Li Weizhu and our Company, which was dated March 31, 2023 and entered into among Jinyu Fuyuan, Mr. Li Weizhu and the Company in relation to the revision of certain contract terms;
- (g) the third supplemental agreement to the equity transfer agreement executed in August 2018 entered into among Yongcheng No. 2, Mr. Li Weizhu and the Company, which was dated March 31, 2023 and entered into among Yongcheng No. 2, Mr. Li Weizhu and the Company in relation to the revision of certain contract terms;
- (h) the third supplemental agreement to the equity transfer agreement executed in November 2018 entered into among Jiaqiao Heli, Mr. Xu Bo and the Company, which was dated March 31, 2023 and entered into among Jiaqiao Heli, Mr. Xu Bo, Mr. Li Weizhu and the Company in relation to the revision of certain contract terms;
- (i) an equity transfer agreement entered into among Jinyu Fuyuan, Ruoshui United, Shangshan United, Qiankun United, Mr. Li Weizhu and our Company dated November 22, 2023 in relation to the share transfers from Jinyu Fuyuan to Ruoshui United, Shangshan United and Qiankun United in respect of all of the equity interest then held by Jinyu Fuyuan in our Company;
- (j) an equity transfer agreement entered into among Yongcheng No. 2, Ruoshui United, Shangshan United, Qiankun United, Mr. Li Weizhu and our Company dated January 2, 2024 in relation to the share transfer from Yongcheng No. 2 to Ruoshui United, Shangshan United and Qiankun United in respect of all of the equity interest then held by Yongcheng No. 2 in our Company;
- (k) an equity transfer agreement entered into among Jiaqiao Heli, Mr. Xu Bo, Ruoshui United, Shangshan United, Qiankun United, Mr. Li Weizhu and our Company dated November 22, 2023 in relation to the share transfer from Jiaqiao Heli and Mr. Xu Bo to Ruoshui United, Shangshan United and Qiankun United in respect of all of the equity interest then held by each of Jiaqiao Heli and Mr. Xu Bo in our Company;

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

- (l) an equity transfer agreement entered into among Mingyang Investment, Ruoshui United, Shangshan United, Qiankun United, Mr. Li Weizhu dated December 25, 2023 in relation to the share transfer from Mingyang Investment to Ruoshui United, Shangshan United and Qiankun United in respect of 52.82% equity interest held by Mingyang Investment in the Company;
- (m) an equity transfer agreement entered into among Huatuo Zhiyuan, Ruoshui United, Shangshan United, Qiankun United, Mr. Li Weizhu and our Company dated November 22, 2023 in relation to the share transfer from Huatuo Zhiyuan to Ruoshui United, Shangshan United and Qiankun United in respect of all of the equity interest then held by Huatuo Zhiyuan in our Company;
- (n) a capital increase agreement entered into between Xianglong Chuangmei and our Company dated June 19, 2024, pursuant to which Xianglong Chuangmei agreed to subscribe for RMB7,164,832 of the registered capital of our Company at the consideration of RMB140,000,000;
- (o) a capital increase agreement entered into between Zhengfu Investment and our Company dated June 19, 2024, pursuant to which Zhengfu Investment agreed to subscribe for RMB1,023,547 of the registered capital of our Company at the consideration of RMB20,000,000;
- (p) a capital increase agreement entered into between Di Ai Jewelry and our Company dated June 19, 2024, pursuant to which Di Ai Jewelry agreed to subscribe for RMB1,791,208 of the registered capital of our Company at a consideration of RMB35,000,000;
- (q) a capital increase agreement entered into between Yongcheng No. 15 and our Company dated June 19, 2024, pursuant to which Yongcheng No. 15 agreed to subscribe for RMB2,558,868 of the registered capital of our Company for a consideration of RMB50,000,000; and
- (r) the [REDACTED].




### Intellectual Property

#### Trademarks

As of the Latest Practicable Date, the Group had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1	ZHOU LIU FU JEWELRY	14	Our Company	PRC	303876580	August 18, 2026
2	周六福	14	Our Company	PRC	16441293	April 20, 2026

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
3		14	Our Company	PRC	7519198	February 27, 2031
4	ZHOU LIU FU JEWELRY	14	Our Company	PRC	7519199	October 27, 2030
5		14	Our Company	PRC	7508460	January 13, 2031
6	Z L F	14	Our Company	PRC	5591498	September 13, 2029
7		14	Our Company	PRC	13062591	March 6, 2026

### Domain Names

As of the Latest Practicable Date, the Group had registered the following domain name which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	zlf.cn	Our Company	November 23, 2026

### Patents

As of the Latest Practicable Date, the Group had registered the following patents which we consider to be or may be material to our business:

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Application Number	Date of Application	Expiry Date
1	A processing technique for iridescence gold or K gold jewelry	Invention patent/ assigned patent	Our Company and Shenzhen Guojia Jewelry Technology Company Limited* (深圳市國嘉珠寶科技有限公司)	PRC	2015100055047	January 7, 2015	January 6, 2035
2	Pendant (princess)	Design patent	Our Company	PRC	202030396070X	July 17, 2020	July 16, 2030
3	Pendant (Rapunzel)	Design patent/ assigned patent	Our Company	PRC	201930403917X	July 27, 2019	July 26, 2029
4	Ring (hidden.joy)	Design patent	Our Company	PRC	202130279570X	May 11, 2021	May 10, 2031

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Application Number	Date of Application	Expiry Date
5	Pendant (Dancing•Rhythm of Dance)	Design patent	Our Company	PRC	2021307384978	November 10, 2021	November 9, 2036
6	A double-sided pendant with the intraocular concave that prevents a fall of diamond	Utility model patent/ assigned patent	Our Company	PRC	2019211270144	July 18, 2019	July 17, 2029
7	Pendant (Bewitched Through Leaves)	Design patent	Our Company	PRC	202130434505X	July 9, 2021	July 8, 2036
8	Pendant (Sweet•Sweet heart)	Design patent	Our Company	PRC	202130421628X	July 5, 2021	July 4, 2036
9	Pendant (Together Forever)	Design patent	Our Company	PRC	2022300774084	February 17, 2022	February 16, 2037
10	Pendant (princess ball dress)	Design patent	Our Company	PRC	202230364040X	June 14, 2022	June 13, 2037
11	Pendant (Little Sweet heart)	Design patent	Our Company	PRC	2022303636353	June 14, 2022	June 13, 2037
12	Pendant (Little Full Skirt)	Design patent	Our Company	PRC	2022303743139	June 17, 2022	June 16, 2037
13	Pendant (The Gorgeous Charm)	Design patent	Our Company	PRC	2022303820243	June 21, 2022	June 20, 2037
14	A type of wearable jewelry	Utility model patent	Our Company	PRC	2023216102777	June 21, 2023	June 20, 2033
15	A method for ornament hollowing, pendant of gem and their assembly	Invention patent	Our Company	PRC	2021111162512	September 23, 2021	September 22, 2041

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Application Number	Date of Application	Expiry Date
16	A type of diamond ring cutting device	Invention patent	Our Company	PRC	2021111145555	September 23, 2021	September 22, 2041
17	A type of necklace	Invention patent	Our Company	PRC	20211111564760	September 30, 2021	September 29, 2041
18	A type of catching structure for necklace	Invention patent	Shenzhen Zhenbao Jewellery Precision Manufacturing Co., Ltd.* (深圳市臻宝珠宝精密制造有限公司)	PRC	2018106546417	June 22, 2018	June 21, 2038
19	A method of cutting for diamond ring	Invention patent	Our Company	PRC	2021110827152	September 15, 2021	September 14, 2041

As of the Latest Practicable Date, the Group had applied for registration the following patents which we consider to be or may be material to our business:

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1	A type of diamond structure (invention + utility model)	Invention patent	Our Company	PRC	2019113574100	December 25, 2019
2	Pendant (New Gold Craft-Little Whale-1)	Design patent	Mr. Li Weizhu	PRC	2023306896681	October 24, 2023
3	Pendant (New Gold Craft-Little Whale-2)	Design patent	Mr. Li Weizhu	PRC	2023306897203	October 24, 2023
4	Jewelry kit (Sakura Collection)	Design patent	Our Company	PRC	2023307688309	November 23, 2024

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### *Software copyrights*

As of the Latest Practicable Date, the Group had registered the following software copyrights which we consider to be or may be material to our business:

No	Software Name	Registrant	Registration Number	Date of Registration
1	XYD Tendering System V1.0.1	Shenzhen Xiaoyudi Technology Co., Ltd.* (深圳市小雨滴信息技术有限公司) (“ShenzhenXiaoyudi”)	2020SR0513659	March 28, 2022
2	XYD E-commerce Data Integration Platform V1.0	Shenzhen Xiaoyudi	2021SR1268722	March 28, 2022
3	XYD Customer Service Platform V1.0	Shenzhen Xiaoyudi	2021SR1268687	March 28, 2022
4	XYD Official Website Back-end Management System	Shenzhen Xiaoyudi	2024SR0128714	January 18, 2024
5	XYD Brand Mini-programme Back-end Management System	Shenzhen Xiaoyudi	2023SR1763939	December 26, 2023
6	XYD Jewelry Cloud Exhibition Hall System V3.0	Shenzhen Xiaoyudi	2024SR0656370	May 15, 2024
7	XYD Smart Cloud Platform V4.0.1	Shenzhen Xiaoyudi	2024SR0655784	May 15, 2024
8	Supplier Reconciliation System V1.0	Shenzhen Xiaoyudi	2024SR0359158	March 6, 2024
9	XYD Smart Mall Back-end Management System	Shenzhen Xiaoyudi	2024SR0682597	May 20, 2024
10	XYD Smart Mall Platform V1.0	Shenzhen Xiaoyudi	2024SR0683268	May 20, 2024

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

**3. DISCLOSURE OF INTERESTS**

**Disclosure of interests of our Directors, Supervisors and Chief Executive**

Save as disclosed below, immediately following the completion of the [REDACTED], and Conversion of Unlisted Shares into H Shares, assuming that the [REDACTED] is not exercised, the interests and/or short positions of the Directors, Supervisors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and any interests and/or short positions in shares, underlying shares or debentures of any of our Company’s associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company, once the H Shares are [REDACTED] on the Stock Exchange:

*Interests in our Company*

Name of Director, Supervisor or chief executive	Position	Nature of Interest	Number and Class of Shares held upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(1)</sup>	Approximate percentage of shareholding in total issued share capital of our Company as of the Latest Practicable Date	Approximate	Approximate
					percentage of shareholding in the total issued share capital of our Company immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup> (%)	percentage of shareholding in the relevant class of Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup> (%)
Mr. Li Weizhu <sup>(3), (5)</sup>	Chairman of the Board and executive Director	Interest in controlled corporation, and interest held jointly with other persons	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
			[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
Mr. Li Weipeng <sup>(4), (5)</sup>	Executive Director Vice chairman of the Board and general manager	Interest in controlled corporation, and interest held jointly with other persons	[REDACTED] Unlisted Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%
			[REDACTED] H Shares	[REDACTED]%	[REDACTED]%	[REDACTED]%

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

Name of Director, Supervisor or chief executive	Position	Nature of Interest	Number and Class of Shares held upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(1)</sup>	Approximate percentage of shareholding in total issued share capital of our Company as of the Latest Practicable Date	Approximate	Approximate
					percentage of shareholding in the total issued share capital of our Company immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup> (%)	percentage of shareholding in the relevant class of Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares <sup>(2)</sup> (%)
Ms. Zhong Yingqin <sup>(6)</sup>	Non-executive Director	Interest of spouse	[REDACTED] Unlisted Shares [REDACTED] H Shares	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%	[REDACTED]% [REDACTED]%

*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of (i) [REDACTED] Unlisted Shares in issue, (ii) [REDACTED] H Shares converted from Unlisted Shares and (iii) [REDACTED] H Shares to be issued under the [REDACTED] immediately following completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is not exercised.
- (3) As of the Latest Practicable Date:
  - (i) Ruoshui United was directly owned as to 60% by Mr. Li Weizhu and 40% by Shenzhen Zhou Liu Fu, which was in turn directly owned as to 100% by Mr. Li Weizhu;
  - (ii) Shangshan United was directly owned as to 70% by Mr. Li Weizhu and 30% by Shenzhen Zhou Liu Fu;
  - (iii) Mr. Li Weizhu was the general partner of Chuangming Investment, which was the beneficial owner of a total of 10,009,537 Unlisted Shares, representing approximately 2.64% of the total issued share capital of our Company as of the Latest Practicable Date. Such [REDACTED] Unlisted Shares would be converted into [REDACTED] H Shares upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, representing approximately [REDACTED]% of the total issued share capital of our Company and approximately [REDACTED]% of the total H Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming that the [REDACTED] is not exercised); and
  - (iv) Mr. Li Weizhu was a limited partner of Shaobo Investment, holding approximately 86.76% of the partnership interests therein. Shaobo Investment was the beneficial owner of a total of 5,445,188 Unlisted Shares, representing approximately 1.44% of the total issued share capital of our Company as of the Latest Practicable Date. Such [REDACTED] Unlisted Shares would be converted into [REDACTED] H Shares upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, representing approximately [REDACTED]% of the total issued share capital of our Company and approximately [REDACTED]% of the total H Shares immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming that the [REDACTED] is not exercised).



## APPENDIX VI STATUTORY AND GENERAL INFORMATION

By virtue of the SFO, Mr. Li Weizhu is deemed to be interested in the Shares held by Ruoshui United, Shangshan United, Chuangming Investment and Shaobo Investment. For further details, please refer to the section headed “Substantial Shareholders” in this document.

- (4) As of the Latest Practicable date, Qiankun United was directly owned as to 100% by Mr. Li Weipeng. By virtue of the SFO, Mr. Li Weipeng is deemed to be interested in the Shares held by Qiankun United. For further details, please refer to the section headed “Substantial Shareholders” in this document.
- (5) By virtue of the Acting in Concert Agreement entered into between Mr. Li Weizhu and Mr. Li Weipeng (further details of which is set out in the section headed “Relationship with Our Controlling Shareholders” in this document), each of Mr. Li Weizhu and Mr. Li Weipeng is deemed to be interested in the Shares held by each other pursuant to the SFO. For further details of the Shares held by Mr. Li Weizhu and Mr. Li Weipeng, please see footnotes (3) and (4) above respectively.
- (6) Ms. Zhong Yingqin, the spouse of Mr. Li Weizhu and our non-executive Director, is deemed to be interested in the Shares held by Mr. Li Weizhu pursuant to the SFO. For further details of the Shares held by Mr. Li Weizhu, please see footnotes (3) and (5) above.

### *Interests in associated corporations of our Company*

Name	Position in our Company	Nature of Interests <sup>(1)</sup>	Name of associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Li Weizhu	Chairman of the Board and executive Director	Interest in controlled corporation, and interest held jointly with other persons	Shenzhen Zhou Liu Fu	100% <sup>(2)</sup>
			Ruoshui United	100% <sup>(2)</sup>
			Shangshan United	100% <sup>(2)</sup>
			Qiankun United	100% <sup>(2)</sup>
			Chuangming Investment	100% <sup>(2)</sup>
			Hongkong Zhou Liu Fu Jewelry Limited (香港周六福珠寶國際集團有限公司, “Hongkong Zhou Liu Fu”)	100% <sup>(4)</sup>
			Shenzhen Zhenyangtong Investment Co., Ltd. (深圳市震揚通投資有限公司, “Shenzhen Zhenyangtong”)	80% <sup>(5)</sup>
Huizhou Zhenyangtong Technology Co., Ltd. (惠州市震揚通科技有限公司, “Huizhou Zhenyangtong”)	80% <sup>(5)(6)</sup>			

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

Name	Position in our Company	Nature of Interests <sup>(1)</sup>	Name of associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Li Weipeng	Executive Director Vice chairman of the Board and general manager	Interest in controlled corporation, and interest held jointly with other persons	Shenzhen Zhou Liu Fu	100% <sup>(2)</sup>
			Ruoshui United	100% <sup>(2)</sup>
			Shangshan United	100% <sup>(2)</sup>
			Qiankun United	100% <sup>(2)</sup>
			Chuangming Investment	100% <sup>(2)</sup>
			Hongkong Zhou Liu Fu	100% <sup>(4)</sup>
			Shenzhen Zhenyangtong	80% <sup>(5)</sup>
Ms. Zhong Yingqin	Non-executive Director	Interest of spouse <sup>(3)</sup>	Huizhou Zhenyangtong	80% <sup>(5)(6)</sup>
			Shenzhen Zhou Liu Fu	100%
			Ruoshui United	100%
			Shangshan United	100%
			Qiankun United	100%
			Chuangming Investment	100%
			Hongkong Zhou Liu Fu	100% <sup>(4)</sup>
Shenzhen Zhenyangtong	80% <sup>(5)</sup>			
			Huizhou Zhenyangtong	80% <sup>(5)(6)</sup>

## **APPENDIX VI STATUTORY AND GENERAL INFORMATION**

*Notes:*

- (1) All interests stated are long positions.
- (2) For further details of Mr. Li Weizhu and Mr. Li Weipeng’s interests in the respective corporations, please refer to the section headed “Substantial Shareholders” in this document.
- (3) Ms. Zhong Yingqin is the spouse of Mr. Li Weizhu. By virtue of the SFO, Ms. Zhong Yingqin is deemed to be interested in the Shares interested in by Mr. Li Weizhu.
- (4) As of the Latest Practicable Date, Hongkong Zhou Liu Fu Jewelry Limited was a wholly owned subsidiary of Shenzhen Zhou Liu Fu, which was directly owned as to 100% by Mr. Li Weizhu.
- (5) As of the Latest Practicable Date, Shenzhen Zhenyangtong was owned as to 75% by Hongkong Zhou Liu Fu and 5% by Shangshan United.
- (6) As of the Latest Practicable Date, Huizhou Zhenyangtong was directly owned as to 100% by Shenzhen Zhenyangtong.

### **Disclosure of Interests of Substantial Shareholders**

For information on the persons who will, immediately following the completion of the [REDACTED] and Conversion of Unlisted Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or of any member of the Group, see “Substantial Shareholders” and “– 1. Further Information About Our Group – Changes in the Share Capital of our Subsidiaries.”

### **Particulars of the Service Contracts and Letters of Appointment**

We [have] entered into a service contract or a letter of appointment with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **Remuneration of Directors and Supervisors**

Save as disclosed in the section headed “Directors, Supervisors and Senior Management” and under note 8 in “Appendix I – Accountants’ Report” in this document, none of our Directors or Supervisors received other remunerations of benefits in kind from us for the financial years ended December 31, 2021, 2022 and 2023.

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### Disclaimers

- (a) Save as disclosed in the section headed “History, Development and Corporate Structure”, none of the Directors, Supervisors or any of the experts referred to in “Other Information – Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) Save for in connection with the [REDACTED], none of the Directors, Supervisors or any of the experts referred to in “– 5. Other Information – Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.
- (c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the [REDACTED] or related transactions as mentioned.
- (d) So far as is known to the Directors, save as disclosed in the section headed “Business”, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of the Group.

### 4. PRE-[REDACTED] EMPLOYEE SHARE INCENTIVE PLAN

#### (a) Background

In order to improve the remuneration structure and motivate and retain talents, our Company implemented an employee share incentive plan (the “Pre-[REDACTED] ESOP”) in December 2017, through which eligible participants of the Pre-[REDACTED] ESOP (the “Participants”) were granted the rights to and have subscribed for the partnership interests in the Employee Shareholding Platforms.

The Pre-[REDACTED] ESOP does not involve any grant of awards or issuance of new Shares by our Company after [REDACTED], the terms of which are not subject to Chapter 17 of the Listing Rules.

#### (b) Awards

Under the Pre-[REDACTED] ESOP, the Participants have been granted a right to subscribe for certain limited partnership interests (the “Incentive Interests”) in the respective Employee Shareholding Platforms (the “Awards”).

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### (c) Source and number of Shares

The Shares underlying the Awards granted under the Pre-[REDACTED] ESOP are held by the Employee Shareholding Platforms. Upon the grant of Awards, the Participants shall hold partnership interests in the Employee Shareholding Platforms to reflect their respective Awards.

As of the Latest Practicable Date, the number of Shares underlying the Awards granted under the Pre-[REDACTED] ESOP were in aggregate of [REDACTED] Shares, representing approximately [REDACTED]% of the aggregate amount of the total issued Shares immediately before the completion of the [REDACTED] and [REDACTED]% of our total issued Shares immediately upon completion of the [REDACTED] assuming the [REDACTED] is not exercised.

### (d) Participants

Participants of the Pre-[REDACTED] ESOP are Directors, senior management members and employees of our Group at the time being granted such Award(s).

Under the Pre-[REDACTED] ESOP, the Participants shall not take the initiative to terminate their labor or service relationship with our Company or any of our subsidiaries for any reason within one year from the date of [REDACTED] of our Company, subject to certain terms and conditions of the Pre-[REDACTED] ESOP.

### (e) Personal Awards

Under the Pre-[REDACTED] ESOP, prior to the [REDACTED] of our Company, the Participants shall not make any arrangements in relation to the Incentive Interests with any third party, including but are not limited to the following, without the consent of our Company's actual controllers (being certain members of the Controlling Shareholders Group):

- (i) entering into arrangement(s) for transfer of the Incentive Interests;
- (ii) entrusting the management of the Incentive Interests;
- (iii) using the Incentive Interests for debts guarantee;
- (iv) assigning the right to the income from the Incentive Interests to others; and/or
- (v) entering into other arrangement(s) involving the disposal of the Incentive Interests

## **APPENDIX VI STATUTORY AND GENERAL INFORMATION**

### **(f) Obligations of the Participants**

Under the Pre-[REDACTED] ESOP, the Participants shall fulfil their obligations to be loyal and diligent and shall not conduct any of the following acts:

- (i) refusing to cooperate in the legal procedures relating to the [REDACTED] of our Company and the execution of the agreement relating to the Awards;
- (ii) taking up employment in other employing units which are in competition with the production or operation of the same kind of products or engaging in the same kind of business of our Company, or start their own business to produce or operate the same kind of products or engaging in the same kind of business of our Company;
- (iii) undermining our Company's relationship with customers or our developing business opportunities;
- (iv) intentionally or due to gross negligence, revealing technical and commercial secrets of our Company;
- (v) violating the rules and regulations of our Company relating our production and management in a serious manner; and/or
- (vi) conducting any other acts that violate the partnership agreement of the Employee Shareholding Platform(s) or seriously damaging the reputation and interests of our Company.

In the event that a Participant is required to exit from the Employee Shareholding Platform(s) due to any of the above acts, the Participant shall transfer all of his/her Incentive Interests to the general partner of the Employee Shareholding Platform(s) or the general partner's designated transferee(s) at the consideration equivalent to the Participant's initial capital contribution.

Prior to the [REDACTED] of our Company, if a Participant resigns from the Group or exits from the Employee Shareholding Platforms for reasons other than the above, he/she shall transfer all the Incentive Interests held by him/her to the general partner of the Employee Shareholding Platform(s) or the general partner's designated transferees. The consideration of such transfers shall be determined with reference to, among others, the amount of capital contribution made for the relevant Incentive Interests, the period for which the Participant has become a limited partner of the relevant Employee Shareholding Platform(s), the time deposit or loan interest rate per annum of the People's Bank of China during the relevant period, as well as income generated from the relevant Incentive Interests and bonuses given by our Company during the relevant period.

### **(g) Details of the Awards granted**

As of the Latest Practicable Date, the aggregate number of granted Shares underlying the Awards as directly held by the Employee Shareholding Platforms for the purpose of the Pre-[REDACTED] ESOP amounting to 7,086,753 Shares, had been granted to 53 Participants. To reflect the Awards granted to the Participants, as of the Latest Practicable Date, the Participants in aggregate held approximately 18.00%, 13.24% and 100% partnership interests in Chuangming Investment, Shaobo Investment and Meiyu Investment, respectively.

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

Details of the Awards granted pursuant to the Pre-[REDACTED] ESOP as of the Latest Practicable Date are set out as follows:

<b>Participant</b>	<b>Role within our Company</b>	<b>Approximate number of Shares underlying the Awards<sup>(1)</sup></b>	<b>Approximate percentage of issued shares immediately after the completion of the [REDACTED] (assuming [REDACTED] is not exercised)</b>
Mr. Xie Mingyu	Executive Director	1,334,602	[REDACTED]%
Ms. Li Caiping	Supervisor	106,769	[REDACTED]%
Ms. Lin Liuzhi	Supervisor	66,731	[REDACTED]%
Other employees of our Group	/	5,578,651 <sup>(2)</sup>	[REDACTED]%

Notes:

- (1) Due to rounding adjustments, the number of Shares underlying the Awards of each category does not represent an arithmetic aggregation of [REDACTED] Shares.
- (2) Representing an aggregate of 50 Participants, with no single Participant being granted Awards with more than [REDACTED] underlying Shares, representing no more than [REDACTED]% of our Company’s total issued Shares immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Save as disclosed above, no other Shares held by the Employee Shareholding Platforms and/or partnership interests of Employee Shareholding Platforms are reserved for the purpose of granting of Awards to the Participants under the Pre-[REDACTED] ESOP.

**5. OTHER INFORMATION**

**Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company or our subsidiaries.

**Litigation**

Save as disclosed in this document, to the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, (i) our H Shares to be [REDACTED] pursuant to the [REDACTED] and (ii) the H Shares to be converted from our existing Unlisted Shares. The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate of US\$1,160,000 for acting as the Joint Sponsors for the [REDACTED].

### Preliminary Expenses

As of Latest Practicable Date, our Company did not incur any preliminary expenses.

### Promoters

Information of our promoters as of the time of our Company’s conversion into a joint stock limited company on November 7, 2018 is as follows:

Name of Shareholder	Number of Shares held upon our conversion	Shareholding percentage upon our conversion (Approx.)
Ruoshui United	133,460,495	37.07%
Shangshan United	100,095,371	27.80%
Qiankun United	100,095,371	27.80%
Chuangming Investment	10,009,537	2.78%
Shaobo Investment	5,445,188	1.51%
Meiyu Investment	4,564,349	1.27%
Yongcheng No. 2	3,536,703	0.98%
Daoyang Junrui	2,792,986	0.78%
<b>Total</b>	<b>36,000,000</b>	<b>100.00%</b>

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.



## APPENDIX VI STATUTORY AND GENERAL INFORMATION

### Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

<b>Name of Expert</b>	<b>Qualifications</b>
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
China Securities (International) Corporate Finance Company Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Sundial Law Firm	Special legal advisor to our Company as to PRC data security and privacy protection matters
Zhong Lun Law Firm	Legal advisor to our Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

### Compliance Advisor

We have appointed Fosun International Capital Limited as our Compliance Advisor upon the [REDACTED] in compliance with Rule 3A.19 of the Listing Rules.

## **APPENDIX VI STATUTORY AND GENERAL INFORMATION**

### **Taxation of Holders of H Shares**

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

### **No Material Adverse Change**

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial position or prospects since December 31, 2023.

### **Binding Effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### **Bilingual Document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### **Miscellaneous**

- (a) Save as disclosed in the section headed “History, Development and Corporate Structure” and in this section, within the two years preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or have been agreed to be issued.

---

## APPENDIX VI STATUTORY AND GENERAL INFORMATION

---

- (d) None of the equity and debt securities of our Company or our subsidiaries is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) Our Company has no outstanding convertible debt securities or debentures.
- (f) None of the experts listed under “– 5. Other Information – Qualifications and Consents of Experts”:
  - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [REDACTED].
- (g) The English text of this document shall prevail over its Chinese text.
- (h) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.
- (i) No commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (j) There is no arrangement under which future dividends are waived or agreed to be waived.

## APPENDIX VII

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the material contracts referred to in the section headed “Appendix VI – Statutory and General Information – 2. Further Information about Our Business – Summary of Material Contracts”; and
- (b) the written consents referred to in the section headed “Appendix VI – Statutory and General Information – 3. Disclosure of Interest – Particulars of the Service Contracts and Letters of Appointment”.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.zlf.cn> during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this document;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2021, 2022 and 2023;
- (d) **[REDACTED]**, the text of which is set forth in Appendix II to this document;
- (e) the legal opinion from Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC laws;
- (f) the PRC data security and privacy protection legal opinion issued by Sundial Law Firm, our Special PRC Legal Adviser;
- (g) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this document;
- (h) a copy of the PRC Company Law, the PRC Securities Law and the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies, together with their respective unofficial English translations thereof;
- (i) the service contracts referred to in “Appendix VI – Statutory and General Information – 3. Disclosure of Interest – Particulars of the Service Contracts and Letters of Appointment”;
- (j) the material contracts referred to in “Appendix VI – Statutory and General Information – 2. Further Information About Our Business – Summary of Material Contracts”; and
- (k) the written consents referred to in “Appendix VI – Statutory and General Information – 5. Other Information – Qualifications and Consents of Experts”.