



# Laopu Gold Co., Ltd.\*

## 老鋪黃金股份有限公司

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

Stock Code : 6181



Sole Sponsor



**中信建投國際**  
CHINA SECURITIES INTERNATIONAL

Sole Overall Coordinator and Sole Global Coordinator



**中信建投國際**  
CHINA SECURITIES INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



**中信建投國際**  
CHINA SECURITIES INTERNATIONAL



**建銀國際**  
CCB International



**交銀國際**  
BOCOM International

Joint Lead Manager



**老虎證券**

\* For identification purpose only

# IMPORTANT

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



## Laopu Gold Co., Ltd.\* 老鋪黃金股份有限公司

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

### Global Offering

Number of Offer Shares under the Global Offering	: 19,451,300 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 1,945,200 H Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of International Offer Shares	: 17,506,100 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Offer Price	: HK\$40.50 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 6181

### Sole Sponsor



**中信建投國際**  
CHINA SECURITIES INTERNATIONAL

### Sole Overall Coordinator and Sole Global Coordinator



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### Joint Bookrunners and Joint Lead Managers



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CHINA SECURITIES INTERNATIONAL



**建銀國際**  
CCB International



**交銀國際**  
BOCOM International

### Joint Lead Manager



**老虎證券**

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 prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available On Display" in this prospectus, 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price will be HK\$40.50. Applicants for Hong Kong Offer Share may be required to pay, on application (subject to application channel), the Offer Price for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

The Sole Overall Coordinator, on behalf of the Underwriters, may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the Offer Price below that is stated in this prospectus (being HK\$40.50 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the website of our Company at [www.lphj.com](http://www.lphj.com) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further details, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting" in this prospectus.

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

### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

\* For identification purpose only

June 20, 2024

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## IMPORTANT

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### **IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.**

**This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at [www.lphj.com](http://www.lphj.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (2) apply electronically through the HKSCC EIPO channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.**

## IMPORTANT

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the HKSCC EIPO channel must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application
	HK\$		HK\$		HK\$		HK\$
100	4,090.85	2,500	102,271.10	30,000	1,227,253.28	350,000	14,317,954.88
200	8,181.69	3,000	122,725.32	40,000	1,636,337.70	400,000	16,363,377.00
300	12,272.54	3,500	143,179.55	50,000	2,045,422.13	450,000	18,408,799.13
400	16,363.38	4,000	163,633.76	60,000	2,454,506.56	500,000	20,454,221.26
500	20,454.22	4,500	184,087.99	70,000	2,863,590.98	600,000	24,545,065.50
600	24,545.07	5,000	204,542.21	80,000	3,272,675.40	700,000	28,635,909.76
700	28,635.91	6,000	245,450.65	90,000	3,681,759.83	800,000	32,726,754.00
800	32,726.75	7,000	286,359.10	100,000	4,090,844.26	900,000	36,817,598.26
900	36,817.59	8,000	327,267.55	150,000	6,136,266.38	972,600 <sup>(1)</sup>	39,787,551.18
1,000	40,908.44	9,000	368,175.98	200,000	8,181,688.50		
1,500	61,362.66	10,000	409,084.43	250,000	10,227,110.63		
2,000	81,816.89	20,000	818,168.86	300,000	12,272,532.76		

*Notes:*

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.



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## EXPECTED TIMETABLE

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*If there is any change to the expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com).*

Hong Kong Public Offering commences . . . . . 9:00 a.m. on Thursday,  
June 20, 2024

Latest time to complete applications under the  
**White Form eIPO** service through the designated  
website at [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Tuesday,  
June 25, 2024

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Tuesday,  
June 25, 2024

Latest time (a) to complete payment of **White Form eIPO**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) and  
(b) give **electronic application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Tuesday,  
June 25, 2024

If you are instructing your broker or custodian who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Tuesday,  
June 25, 2024

Announcement of:

- the level of applications of the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com)<sup>(5)</sup> . . . . . at or before 11:00 p.m.  
on Thursday,  
June 27, 2024

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## EXPECTED TIMETABLE

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The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results", including:

- on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com)<sup>(5)</sup> respectively. . . . . at or before 11:00 p.m. on Thursday, June 27, 2024
  
- on the designated results of allocation website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)) with a "search by ID" function . . . . . from 11:00 p.m. on Thursday, June 27, 2024 to 12:00 midnight on Wednesday, July 3, 2024
  
- from the allocation results telephone enquiry line by at +852 2862 8555 between 9:00 a.m. and 6:00 p.m. . . . . from Friday, June 28, 2024 to Thursday, July 4, 2024 (excluding Saturdays, Sundays and public holidays in Hong Kong)

Despatch of H Share certificates in respect of wholly or partially successful applications, or deposit of H Share certificate into CCASS, on or before<sup>(6)</sup> . . . . . Thursday, June 27, 2024

Despatch of **White Form** e-Refund payment<sup>(7)</sup> instructions and refund cheques in respect of wholly or partially successful applications on or before . . . . . Friday, June 28, 2024

Dealings in our H Shares on the Hong Kong Stock Exchange expected to commence at . . . . . 9:00 a.m. on Friday, June 28, 2024

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*Notes:*

- (1) All dates and times refer to Hong Kong local time and dates unless otherwise stated.
  
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for making applications. If you have already submitted your application and obtained an application reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for making applications, when the application lists close.

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## EXPECTED TIMETABLE

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- (3) If there is a “black” rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 25, 2024 the application lists will not open on that day. See the section headed “How to Apply for Hong Kong Offer Shares — Severe Weather Arrangements” for further details.
- (4) If you instruct your broker or custodian who is an HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you should contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Friday, June 28, 2024 provided that the Global Offering has become unconditional in all respects. Investors who trade our H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates become valid evidence of title do so entirely at their own risk.
- (7) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

**White Form** e-Refund payment instructions/refund cheques will be issued for the applicants who have applied through **White Form eIPO** service in respect of wholly or partially unsuccessful applications. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheques. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheques.

Applicants who have applied through **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheque(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

For applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel, H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to their designated HKSCC Participant’s stock account.

For applicants who have applied through HKSCC EIPO channel, their broker or custodian will arrange refund to their designated bank account subject to the arrangement between them and their broker or custodian.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies”.

**The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the structure of the Global Offering and the conditions and procedures for application for the Hong Kong Offer Shares.**

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a Chinese heritage gold (古法黃金) jewelry brand accredited by the China Gold Association (中國黃金協會)<sup>(1)</sup>, epitomizing China’s intangible cultural heritage value and craftsmanship through our comprehensive product portfolio, with a market share in the heritage gold jewelry market and the gold jewelry market in China of 2.0% and 0.6%, respectively, in terms of revenue in 2023, according to Frost & Sullivan. During the Track Record Period, we derived a material portion of revenue from sales of self-designed heritage gold jewelry through our boutiques. We adopt a self-operation model for all our boutiques. As of the Latest Practicable Date, we self-operated 33 boutiques in reputable commercial centers in 14 cities across China<sup>(2)</sup>, most of which were tier-one and new tier-one cities. We are dedicated to offering products that harmonize cultural and fashionable attributes, showcase assertive style, and demonstrate high quality, ranging from daily wear accessories to ornaments and vessels. We believe that our brand positioning, product theme and style, and sales network contributed to our success. Among the key brands in China’s gold jewelry market, we are the only brand that focuses on the design, manufacture and sale of heritage gold jewelry, according to Frost & Sullivan. Among all gold jewelry brands in China, we ranked first in terms of single-store sales in each of 2022 and 2023, according to Frost & Sullivan. In 2023, we further achieved significant growth. Our average revenue for 2023 per boutique that existed as of December 31, 2023 reached RMB93.9 million, exceeding twice the average revenue for 2022 per boutique that existed as of December 31, 2022.

As pure gold is soft, processing of pure gold, especially when embedding diamonds and gemstones onto the surface of pure gold, requires sophisticated craftsmanship. Unprofessional craftsmanship may cause pure gold to be bent, squeezed or deformed. Through years of dedication and commitment, we have promoted many major developments and advancements in China’s gold jewelry industry. Based on expert interviews and researches for public information conducted by Frost & Sullivan, founded in 2009 we were the first gold jewelry

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(1) Based on *The China Gold Yearbook 2020* (中國黃金年鑒2020) published by the China Gold Association, and considering that, among other things, we were the first gold jewelry brand in China to promote the concept of heritage gold, the first in the industry to embed diamond in pure gold, and the first in the industry to introduce pure gold enamel jewelry products, based on expert interviews and researches for public information conducted by Frost & Sullivan.

(2) Including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xi’an, Hangzhou, Chengdu, Wuhan, Tianjin, Xiamen, Shenyang, as well as Hong Kong and Macau.

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## SUMMARY

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brand in China to promote the concept of heritage gold, the first to introduce diamond-inlaid pure gold jewelry, and the first to apply heat treatment of enamels (燒藍) to pure gold products. Our continuous offering of quality products have made Laopu Gold (老鋪黃金) a well-recognized brand among high net-worth individuals. According to the 2023 Hurun Supreme Brands — Chinese High Net-Worth Individuals’ Brand Preferences Report (《2023胡潤至尚優品—中國高淨值人群品牌傾向報告》) released by the Hurun Research Institute (胡潤研究院) in March 2023, our brand was listed among the top ten jewelry brands preferred by high net-worth individuals, standing as one of the only two domestic jewelry brands.

Heritage gold has heralded a new product era in China’s gold jewelry industry. In recent years, the gold jewelry market has witnessed new opportunities for development. Driven by the rapid increase in consumer demand for high-quality products, heritage gold products have emerged as one of the most promising and fastest-growing categories in the gold jewelry market. According to Frost & Sullivan, the market size for heritage gold jewelry in China, in terms of sales revenue, has grown from approximately RMB13.0 billion in 2018 to approximately RMB157.3 billion in 2023 at a CAGR of 64.6%, and is expected to reach approximately RMB421.4 billion by 2028 at a CAGR of 21.8%. With the transition of main consumer group to the younger generation, there is an increasing market demand for gold jewelry products with unique cultural and brand identity, and a sophisticated fashion sense. With our first-mover advantages in the heritage gold jewelry industry, dedication in product design and manufacture, continuing innovation in product research and development, and quality customer service offerings, we believe we are well-positioned to capture the huge growth of China’s heritage gold jewelry market.

We aspire to become an internationally renowned gold jewelry brand that stands as a beacon of classic craftsmanship, epitomizing China’s intangible cultural heritage value and craftsmanship. We draw inspiration from classic elements of the Chinese culture to develop products that elegantly combine traditional Chinese classical standards with modern aesthetics. Sticking with our brand values of “classic (經典)”, “meticulous (極致)” and “timeless (傳世)”, we craft our jewelry with traditional handcrafting methods. Certain traditional technique we utilize, such as “filigree inlay” (花絲鑲嵌) and “gold and silver inlay” (金銀錯), are recognized as national-level intangible cultural heritage. We also make full use of the advantages of other heritage gold crafting techniques, such as investment casting (失蠟成型), free forging (摟胎), hammering (錘揲), carving (鑿刻), hollowing (鏤空), and heat treatment of enamels (燒藍). For more details, see Business section in this prospectus. We prioritize originality, emphasizing product research, development, innovation and quality control. We continually launch new featured products to stay competitive in the market. As of the Latest Practicable Date, we created over 1,800 original product designs and held copyrights of over a thousand works. Our product mix caters to the diverse needs of consumers of different ages, including daily wear accessories, as well as stationary, daily use and decorative ornaments and vessels. Our certain products have driven industry development. For example, we introduced diamond-set pure gold jewelry products by the end of 2019, and according to Frost & Sullivan, we were the first in the gold jewelry industry to embed diamond in pure gold, changing the traditional standard of using K gold as the base material for diamond-set jewelry. In 2022, by utilizing traditional technique of heat treatment of enamels, we were the first in the industry to introduce pure gold enamel jewelry products, according to Frost & Sullivan.



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## SUMMARY

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We have established market presence in reputable commercial centers of tier-one and new tier-one cities in China. As of the Latest Practicable Date, we self-operated a total of 33 boutiques, all located in shopping malls with stringent entry requirements, such as SKP and MixC (萬象城). According to Frost & Sullivan, as of April 2024, we covered eight out of the top ten high-end shopping malls nationwide, ranking first among all domestic gold jewelry brands in terms of the coverage rate. We not only successfully entered into these shopping malls, but also achieved outstanding sales performance in them. For example, in 2023, our two boutiques located in Beijing SKP generated a total revenue of RMB335.8 million, achieving a monthly revenue per sq.m. of approximately RMB440,574. To put it in context, Beijing SKP is one of the world's most productive shopping malls in terms of sales per sq.m., and its monthly sales per sq.m. in 2023 was approximately RMB17,740.6. With our high-quality brand identity, as well as the track records of our existing boutiques, we believe that we have gained a strong channel expansion capability, enabling us to systematically open new boutiques at coveted positions in reputable commercial centers with stringent entry requirements. For example, after the successful collaboration with Beijing SKP, we have established boutiques in other shopping malls of the SKP group, such as Xi'an SKP, Chengdu SKP, and DT51. Such win-win collaborations with top commercial centers achieves a virtuous cycle that continuously drives our growth. Moreover, our boutiques are themed around classical Chinese study room scenes to largely enhance customer shopping experience. Our premium boutique locations naturally attract high net-worth consumers that perfectly match with our brand positioning, and the premium environments of our boutiques serve as a testament to our brand identity. In addition, we also reach consumers nationwide through online channels, including our flagship stores on Tmall and JD.com, which are independent third-party e-commerce platforms, as well as our WeChat Mini Program that we developed to optimize our customer experience and increase our online sales.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB1,264.6 million in 2021 to RMB1,294.2 million in 2022 despite the adverse impact from COVID-19, and further increased to RMB3,179.6 million in 2023, representing a CAGR of 58.6% from 2021 to 2023. We recorded a net profit of RMB113.9 million, RMB94.5 million and RMB416.3 million in 2021, 2022 and 2023, respectively.

In the future, we will adhere to strategic principles such as brand innovation, product internationalization, and global market expansion, enabling us to effectively capture growth opportunities in the gold and jewelry industry and further expand market share and brand influence.

### **OUR COMPETITIVE STRENGTHS**

We believe the following strengths have contributed to our success and differentiated us from our competitors: (i) an accredited heritage gold jewelry brand in China, epitomizing China's intangible cultural heritage value; (ii) relentless focus on innovation and acute sensitivity to the fashion trend of the times; (iii) comprehensive product portfolio with classic craftsmanship, assertive style and high quality; (iv) strong sales network in reputable commercial centers and systematic operational model of boutiques; and (v) adoption of standardized enterprise management system to maintain efficient operations and effective quality control in the ever-evolving consumer market.

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## SUMMARY

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### OUR DEVELOPMENT STRATEGIES

Our goal is to showcase traditional Chinese handcrafted gold jewelry, as a symbol of classic Chinese culture, on the world stage. We plan to implement the following strategies to achieve that goal: (i) continue to prioritize product research and development innovation to strengthen market presence; (ii) deepen brand strategic management to enhance brand influence; and (iii) solidify the domestic market and actively expand in the international market.

### OUR PRODUCTS

We design, manufacture and sell pure gold jewelry which combines ancient wisdom and modern fashions. Our gold jewelry products primarily comprise pure gold jewelry and gem-set jewelry (with diamonds or other gemstones inlaid in pure gold). Leveraging Chinese age-old techniques to create gold jewelry, our products are embodiments of classic elegance and craftsmanship, which reflects our brand's core values and philosophy.

The following table sets forth the breakdown of revenue by product type for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry . . . .	655,375	51.8	661,002	51.1	1,394,282	43.9
Gem-set jewelry . . . . .	603,061	47.7	629,528	48.6	1,780,658	56.0
Others* . . . . .	6,167	0.5	3,690	0.3	4,624	0.1
<b>Total. . . . .</b>	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Note:*

\* Others mainly include revenues generated from (i) the sales of non-gold jewelry products primarily made of gemstones, and (ii) the provision of maintenance and repair services for jewelry products sold by us, as our after-sales services.

The percentage of the sales of gem-set jewelry products of our total revenue increased during the Track Record Period, mainly as we launched new series of gem-set jewelry products embedded with innovative craftsmanship and novel designs in late 2019. We have no plan to change our business focus in spite of such change in revenue contribution from pure gold jewelry and gem-set jewelry. Going forward, we will continue to focus on offering quality heritage gold jewelry products and keep introducing new styles of products, including both pure gold jewelry and gem-set jewelry.

## SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin by types of goods or services for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry . . . . .	248,628	37.9	251,220	38.0	514,516	36.9
Gem-set jewelry . . . . .	269,265	44.6	289,100	45.9	815,596	45.8
Others . . . . .	3,108	50.4	1,818	49.3	1,845	39.9
<b>Total . . . . .</b>	<b><u>521,001</u></b>	<b><u>41.2</u></b>	<b><u>542,138</u></b>	<b><u>41.9</u></b>	<b><u>1,331,957</u></b>	<b><u>41.9</u></b>

The gross profit for our pure gold jewelry products increased during the Track Record Period, which was generally in line with the increase in revenue generated from the sales of pure gold jewelry products during the same years. The gross profit margin for our pure gold jewelry products remained relatively stable at 37.9% and 38.0% in 2021 and 2022, respectively. The gross profit margin for our pure gold jewelry products decreased to 36.9% in 2023, primarily because (i) we launched gold bar products by the end of 2022, which feature relatively simple craftsmanship and therefore have lower gross profit margin; (ii) this was partially offset by the increase in cost of sales, which was mainly due to the impact of increase in the purchase cost of gold.

The gross profit for our gem-set jewelry products increased during the Track Record Period, which was generally in line with the increase in revenue generated from the sales of gem-set jewelry products during the same years. The gross profit margin for our gem-set jewelry products increased from 44.6% in 2021 to 45.9% in 2022, primarily because (i) we launched new gem-set jewelry product series, mainly including gem-set pendants and rings, bangles and decorative ornaments, featuring innovative craftsmanship and novel design with relatively higher gross profit margin in 2022; (ii) this was partially offset by the increase of cost of sales, which was mainly due to the impact of increase in the purchase cost of gold and gemstones. The gross profit margin for our gem-set jewelry products remained stable at 45.9% and 45.8% in 2022 and 2023, respectively.

The gross profit margin level of our gem-set jewelry products was relatively higher than the gross profit margin of our pure gold jewelry, mainly as (i) the design and craftsmanship of our gem-set jewelry products is generally more intricate and complex; and (ii) gem-set jewelry products, especially diamond-set jewelry products, generally have higher pricing space and profit margins since they are usually fixed-price products with high brand premiums, which is in line with the market, according to Frost & Sullivan.

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## SUMMARY

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### PRODUCT SALES

We have adopted an integrated offline and online jewelry retail structure that combines both offline boutiques and online sales channels to provide customers with a seamless and consistent shopping experience. The following table sets forth the breakdown of our revenue by channel for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Boutiques <sup>(1)</sup> . . . . .	1,135,357	89.8	1,126,308	87.0	2,818,483	88.6
Online platforms <sup>(2)</sup> . . . . .	129,246	10.2	167,912	13.0	361,081	11.4
<b>Total</b> . . . . .	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Including sales from pop-up stores which we opened as promotional events for a short period of time, typically for around one month. For further details, see “— Marketing and Promotion — Our Marketing Strategy and Promotion Channels” in this prospectus.
- (2) Consisting of sales through third-party e-commerce platforms including Tmall and JD.com , as well as WeChat Mini Program that we developed to streamline our customer experience and increase our online sales.

As of the Latest Practicable Date, we had a total of 33 boutiques covering 14 cities across China\*, most of which were tier-one and new tier-one cities. All of our boutiques were self-operated. As compared with franchise, another chain operation model widely adopted by jewelry retailers in China, self-operation model enables enterprises to retain the ownership of products sold at the retail counters, as well as the right to recruit and manage sales and other personnels of their own. Moreover, boutiques under self-operation model generally has a higher profit margin than those under franchise model. We have been adopting the self-operation model for our boutiques and had never entered into any franchise arrangement. We believe this self-operation model enables us to maintain strict control over our service quality and provide strict management of sales and customer service, which are conducive to building and preserving our brand image.

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\* Including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, Tianjin, Xiamen, Shenyang, as well as Hong Kong and Macau.



## SUMMARY

We had experienced steady-fast expansion during the Track Record Period and up to the Latest Practicable Date. The table below sets forth the total number of our boutiques, and openings and closures, for the periods indicated:

	Year Ended December 31,			From December 31, 2023 to the Latest Practicable Date
	2021	2022	2023	
Number of boutiques at the beginning of the period . . . .	19	22	27	30
Number of new boutiques . . . .	4	6	5	3
Number of closed boutiques* . . . .	1	1	2	–
<b>Number of boutiques at the end of the period . . . . .</b>	<b>22</b>	<b>27</b>	<b>30</b>	<b>33</b>

*Note:*

\* We assess and evaluate the performance of our boutiques on a monthly basis. During the Track Record Period and up to the Latest Practicable Date, we closed one, one, two, and nil boutique(s) in 2021, 2022, 2023, and the period from December 31, 2023 to the Latest Practicable Date, respectively. For more details, see “Business — Product Sales — Our Boutiques” in this prospectus.

Our boutiques are mostly located in luxury districts of tier-one and new tier-one cities across China. According to Frost & Sullivan, as of April 2024, we covered eight out of the top ten high-end shopping malls nationwide, ranking first among all domestic gold jewelry brands. We have steadily expanded our boutique network during the Track Record Period and up to the Latest Practicable Date. The table below sets forth a breakdown of our boutiques by geographic location as of the dates indicated:

	December 31,			Latest Practicable Date
	2021	2022	2023	
<b>Mainland China*</b> . . . . .	21	26	28	30
Tier-one cities . . . . .	11	13	15	16
New tier-one cities . . . . .	7	8	9	10
Other cities . . . . .	3	5	4	4
<b>Hong Kong</b> . . . . .	–	–	–	1
<b>Macau</b> . . . . .	1	1	2	2
<b>Total</b> . . . . .	<b>22</b>	<b>27</b>	<b>30</b>	<b>33</b>

*Note:*

\* Tier-one cities where our boutiques are located include Beijing, Shanghai, Guangzhou, and Shenzhen. New tier-one cities where our boutiques are located include Nanjing, Xi’an, Hangzhou, Chengdu, Wuhan, and Tianjin. Other cities where our boutiques are located include Shenyang, Xiamen, Nanning, and Fuzhou.

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## SUMMARY

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The following table sets forth the details of our same-store sales and same-store sales growth of our boutiques during the Track Record Period, which are important metrics that our management tracks in evaluating our boutique network's performance:

	Year Ended December 31,			
	2021	2022	2022	2023
Number of Same Stores* . . . . .		18		21
Same-Store Sales (RMB'000) . . . . .	1,107,257	911,942	1,004,131	2,162,939
Same-Store Sales Growth Rate . . . . .		(17.6)%		115.4%

*Note:*

\* Referring to boutiques that were open for more than 300 days in both of the two years under comparison.

For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1,107.3 million in 2021 to RMB911.9 million in 2022, which was primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic. For 2022 and 2023, we had 21 same stores, whose sales increased significantly by 115.4% from RMB1.0 billion in 2022 to RMB2.2 billion in 2023, which was mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iii) our increased brand awareness; (iv) the iteration of our product series; and (v) the increase in gold price, which (a) boosted consumers' willingness to purchase heritage gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, and (b) led to a corresponding increase in the prices of our products.

### PRICING

We carefully consider several key factors to determine the prices of our products. These factors include the material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand. Although fluctuation in material costs, especially gold prices, is indeed one of the factors we consider when pricing our products, we believe that such fluctuation is manageable, as we from time to time adjust our procurement plan of raw materials based on the actual market and production demand. Specifically, our supply chain department adjusts our procurement plans on a monthly basis after considering the historical sales turnover and anticipated sales trend provided by our sales department. Upon issuing procurement orders each month, our supply chain department would then follow up on the progress of the procurement, utilization of raw materials in production, and stock level of raw materials. As such, even without any hedging instruments to manage

## SUMMARY

fluctuation in gold price, we are able to reduce the risk of overstocking of gold materials and mitigate the impact of the cost fluctuation on our business operation and financial performance. Each piece of our gold jewelry products is subject to a fixed price upon launch and such price generally will not be simply adjusted along with the fluctuation of our material and production costs. Our management will review the prices of our products periodically and adjust the prices, if needed, after comprehensively considering various factors, including raw material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand, among others, to ensure our profitability and brand strategy. To ensure a consistent and unwavering brand image, our gold jewelry pieces are priced uniformly across all our offline and online boutiques; but from time to time, we participate in promotional events hosted by third-party platforms, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). We offer discounts pertaining to the policy of our customer Loyalty Program. See “Business — Product Warranty and Customer Services — Customer Services — Customer Loyalty Program” in this prospectus. During the Track Record Period, we recorded our revenue based on the actual prices we charged (i.e., after taking into consideration the discounts offered, if any).

The table below sets forth the breakdown of revenue from sales of gold jewelry products by different selling price range for the years indicated:

	Selling Price Range per Piece <sup>(1)</sup>	Revenue as a Percentage of Total Revenue <sup>(2)</sup>		
		Year Ended December 31,		
		2021	2022	2023
Pure gold jewelry . . . . .	Less than RMB10,000	3.7%	3.5%	1.9%
	RMB10,000 – RMB50,000	26.9%	26.5%	24.3%
	RMB50,000 – RMB250,000	15.2%	15.6%	13.4%
	Over RMB250,000	6.0%	5.6%	4.2%
Gem-set jewelry . . . . .	Less than RMB10,000	6.6%	8.5%	8.2%
	RMB10,000 – RMB50,000	32.6%	31.8%	40.7%
	RMB50,000 – RMB250,000	6.2%	5.7%	5.6%
	Over RMB250,000	2.2%	2.7%	1.5%

*Notes:*

- (1) The selling price range is calculated based on the actual prices we charged the customers (including taxes and other charges payable by consumers, and net of discount if any) for the relevant products. The price of our products depends on various factors, including the materials used, the gram weights of gold material used, and the intricacy and complexity of the products’ design and craftsmanship.
- (2) Represents the percentage of revenue generated from sales of the relevant products with selling prices that fall within the corresponding price range.

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## SUMMARY

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### OUR CUSTOMERS

During the Track Record Period, substantially all of our customer base consisted of individual customers. We have not entered into any long-term agreements with our individual customers. We do not extend credit periods to our customers. None of these individual customers accounted for more than 5% of our total revenue.

We cooperate with certain shopping malls under concession arrangements, where shopping malls will collect sales proceeds for us from our customers and settle with us later. For more details, see “Business — Our Boutiques — Arrangements with Shopping Malls” in this prospectus. Therefore, we recorded trade receivables from shopping malls during the Track Record Period. We usually grant a credit period of up to 60 days to the relevant shopping malls. Our trade receivables turnover days were 27 days, 29 days and 28 days in 2021, 2022 and 2023, respectively, which was in line with our credit policy and within the trade receivable turnover days of the industry. For more details, see “Financial Information — Discussion of Selected Items for Consolidated Statements of Financial Position — Trade Receivables” in this prospectus. Though we receive payments from shopping malls under such arrangements, we do not regard them as our customers according to the relevant accounting policies.

### OUR SUPPLIERS

During the Track Record Period, we did not experience any material shortage or delay in the supply. Our major suppliers are raw material providers and production service providers. The aggregate purchases from our five largest suppliers in each year during the Track Record Period was RMB772.1 million, RMB704.5 million and RMB2,144.5 million, accounting for approximately 95.1%, 93.3% and 95.0% of our total purchases for the respective year. Our purchase from the largest supplier in each year during the Track Record Period amounted to RMB605.9 million, RMB633.8 million and RMB1,826.0 million, accounting for approximately 74.7%, 84.0% and 80.9% of our total purchases for the respective year.

Our largest supplier in each year during the Track Record Period, Beijing Gongmei Group Limited Liability Company (北京工美集團有限責任公司) (“**Gongmei Group**”), is a qualified supplier of gold in the PRC and a general member of the Shanghai Gold Exchange. We have maintained a stable relationship with Gongmei Group for the supply of gold for around eight years. We procured the majority of our gold materials from Gongmei Group during the Track Record Period primarily because we have established deep trust and a smooth communication mechanism with Gongmei Group through years of business cooperation. Moreover, we have never met any impediment of renewing the gold supply framework agreement with Gongmei Group upon its expiration. Therefore, we believe that the likelihood of the relationship with Gongmei Group to be subject to material adverse change or termination is low. Even if Gongmei Group no longer supplies gold for us, there are many other gold suppliers readily available in the market to supply gold to us at comparable prices. According to the Shanghai Gold Exchange, it has over 140 general and financial members, and each of them is qualified to purchase gold from Shanghai Gold Exchange for non-member organizations like us. Based on the above, we believe that our supplier concentration risk is manageable. For more details,



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## SUMMARY

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see “Business — Our Customers and Suppliers — Our Suppliers” and “Risk Factors — Risks Relating to Our Business and Industry — We procure raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms or at all.” in this prospectus.

### INVENTORY MANAGEMENT

Our inventory primarily comprises (i) raw materials, mainly including gold, diamonds, other gemstones, and packaging materials, (ii) work-in-progress jewelry products, (iii) finished jewelry products and (iv) goods in transit. Our inventories turnover days were 357 days, 383 days and 205 days in 2021, 2022 and 2023, respectively. For more details, see “Financial Information — Discussion of Selected Items From Consolidated Statements of Financial Position — Inventories” in this prospectus.

We have in place a comprehensive and robust inventory management and security system, which includes vaults, 24-hour surveillance at our boutiques, insurance coverage, daily stock count and monthly inventory count. Our management and sales team proactively track and monitor the turnover and inventory level at each boutique based on sales information that is updated in our IT system on a real-time basis. For more details, see “Business — Our Logistics and Inventory Management — Inventory Management” in this prospectus

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

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

#### Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table sets forth selected consolidated statement of profit or loss and other comprehensive income for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Revenue</b> . . . . .	1,264,603	1,294,220	3,179,564
<b>Cost of sales</b> . . . . .	<u>(743,602)</u>	<u>(752,082)</u>	<u>(1,847,607)</u>
<b>Gross Profit</b> . . . . .	521,001	542,138	1,331,957

## SUMMARY

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains . . . . .	5,566	4,277	2,650
Selling and distribution expenses . . . . .	(262,435)	(297,177)	(579,347)
Administrative expenses . . . . .	(89,121)	(94,117)	(167,571)
Research and development expenses . . . . .	(8,411)	(8,525)	(10,720)
Other expenses, net . . . . .	(720)	(2,853)	(5,318)
Finance costs . . . . .	(11,671)	(16,973)	(18,182)
<b>Profit Before Tax . . . . .</b>	<b>154,209</b>	<b>126,770</b>	<b>553,469</b>
Income tax expense . . . . .	(40,329)	(32,241)	(137,167)
<b>Profit for the Year . . . . .</b>	<b>113,880</b>	<b>94,529</b>	<b>416,302</b>
<b>Attributable to:</b>			
<b>Owners of the Company . . . . .</b>	<b>113,880</b>	<b>94,529</b>	<b>416,302</b>

### *Revenue*

During the Track Record Period, we generated revenue primarily from the sales of pure gold jewelry products and gem-set jewelry products in mainland China. Our revenue amounted to RMB1,264.6 million, RMB1,294.2 million and RMB3,179.6 million in 2021, 2022 and 2023, respectively. Such increase over the Track Record Period was mainly due to (i) the recovery of economic activities, especially in 2021 and 2023; (ii) the expansion of our boutique network; (iii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iv) our increased brand awareness; (v) the iteration of our product series; and (vi) the increase in gold price, which (a) boosted consumers' willingness to purchase heritage gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, and (b) led to a corresponding increase in the prices of our products.

### *Gross Profit*

Our gross profit amounted to RMB521.0 million, RMB542.1 million and RMB1,332.0 million in 2021, 2022 and 2023, respectively. Such increase was in line with the increase in our revenue and was primarily due to the recovery of economic activities from the pandemic in the PRC, especially in 2021 and 2023, the continuous enrichment of our product portfolio and styles, as well as the expansion of our offline boutiques.

## SUMMARY

### *Net Profit*

Our net profit decreased from RMB113.9 million in 2021 to RMB94.5 million in 2022, mainly as the fixed costs increased with the expansion of our offline boutique network, while our revenue growth was relatively slower due to the negative effect of the pandemic on our offline sales in 2022.

Our net profit significantly increased from RMB94.5 million in 2022 to RMB416.3 million in 2023, primarily as in 2022, the fixed costs increased with the expansion of our offline boutique network, while our revenue growth was relatively slower due to the negative effect of the pandemic on our offline sales, while in 2023, our revenue increased significantly, which was in line with our business expansion and thanks to the elimination of the negative impact of the pandemic. Our net profit increased by 340.4% from 2022 to 2023, higher than the revenue growth rate of 145.7% for the corresponding years, mainly as some costs in selling and distribution expenses and administrative expenses, such as staff costs, did not increase at the same pace of revenue.

### **Summary of Consolidated Statements of Financial Position**

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets . . . . .	246,090	286,230	382,711
Total current assets . . . . .	922,880	1,004,982	1,775,836
<b>Total assets</b> . . . . .	<b>1,168,970</b>	<b>1,291,212</b>	<b>2,158,547</b>
Total non-current liabilities . . . . .	131,391	130,262	168,987
Total current liabilities . . . . .	267,267	291,381	474,144
<b>Net current assets</b> . . . . .	<b>655,613</b>	<b>713,601</b>	<b>1,301,692</b>
<b>Total liabilities</b> . . . . .	<b>398,658</b>	<b>421,643</b>	<b>643,131</b>
<b>Net assets</b> . . . . .	<b>770,312</b>	<b>869,569</b>	<b>1,515,416</b>

Our net current assets increased from RMB655.6 million as of December 31, 2021 to RMB713.6 million as of December 31, 2022, primarily due to (i) an increase in inventories of RMB36.5 million, (ii) an increase in cash and cash equivalents of RMB35.1 million, and (iii) an increase in prepayments, deposits and other assets of RMB14.7 million; partially offset by (i) a decrease in trade receivables of RMB4.2 million, and (ii) an increase in lease liabilities of RMB25.7 million.

## SUMMARY

Our net current assets further increased from RMB713.6 million as of December 31, 2022 to RMB1,301.7 million as of December 31, 2023, primarily due to (i) an increase in inventories of RMB461.1 million, and (ii) an increase in trade receivables of RMB276.1 million; partially offset by (i) an increase in other payables and accruals of RMB76.3 million, (ii) an increase in trade payables of RMB52.6 million, and (iii) an increase in lease liabilities of RMB29.9 million. We had a relatively considerable amount of inventories during the Track Record Period, with turnover days of 357 days, 383 days and 205 days in 2021, 2022 and 2023, respectively. Although we generally do not have a significant amount of slow-moving or obsolete stock, we may retain a portion of finished products for display at our boutiques, which are normally sold at a slower pace than our other finished products. For more details, see “Financial Information — Discussion of Selected Items for Consolidated Statements of Financial Position — Inventories” in this prospectus. We have in place a comprehensive inventory management and security system. The inventory levels of our gold jewelry products at our boutiques are determined by product display standards, the sales turnover, and anticipated sales trend. Our management and sales team proactively track and monitor the turnover and inventory level at each boutique based on sales information that is updated in our IT system on a real-time basis. For more details, see “Business — Our Logistics and Inventory Management — Inventory Management” in this prospectus.

Our net assets increased from RMB770.3 million as of December 31, 2021 to RMB869.6 million as of December 31, 2022, mainly reflected changes in equity primarily resulting from our total comprehensive income for the year of RMB97.4 million and share-based payments of RMB1.9 million. Our net assets further increased from RMB869.6 million as of December 31, 2022 to RMB1,515.4 million as of December 31, 2023, mainly reflected changes in equity resulting from our total comprehensive income for the year of RMB415.5 million, issuance of ordinary shares of RMB225.0 million, and share-based payments of RMB8.6 million, offset by share issue expenses of RMB3.3 million.

### Summary of Cash Flow Statements

The following table sets forth a summary of our cash flows information for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital changes . . .	231,955	227,679	705,986
Changes in working capital . . . . .	(82,130)	(47,403)	(608,623)
<b>Cash generated from operations . . . . .</b>	<b>149,825</b>	<b>180,276</b>	<b>97,363</b>
Interest received . . . . .	123	168	350
Income tax paid . . . . .	(47,702)	(31,946)	(126,909)
<b>Net cash flows from/(used in) operating activities .</b>	<b>102,246</b>	<b>148,498</b>	<b>(29,196)</b>

## SUMMARY

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows used in investing activities . . . . .	<b>(30,949)</b>	<b>(34,583)</b>	<b>(59,218)</b>
Net cash flows from/(used in) financing activities . . . . .	<b>(55,684)</b>	<b>(79,268)</b>	<b>98,973</b>
Net Increase in cash and cash equivalents . . . . .	<b>15,613</b>	<b>34,647</b>	<b>10,559</b>
Cash and cash equivalents at beginning of the year . . . . .	9,719	25,190	60,282
Effect of foreign exchange rate changes, net . . . . .	(142)	445	(1,003)
<b>Cash and cash equivalents at end of the year . . . . .</b>	<b><u>25,190</u></b>	<b><u>60,282</u></b>	<b><u>69,838</u></b>

Our net cash flow from operating activities increased from RMB102.2 million in 2021 to RMB148.5 million in 2022, primarily due to (i) an increase in cash generated from operation of RMB30.5 million, mainly resulting from a decrease in negative changes in working capital of RMB34.7 million, despite a decrease in profit before tax adjusted for non-cash and non-operating items of RMB4.3 million; and (ii) a decrease in income tax paid of RMB15.8 million. We recorded net cash flow from operating activities of RMB148.5 million in 2022, while recorded net cash flow used in operating activities of RMB29.2 million in 2023, primarily due to a decrease in cash generated from operation of RMB82.9 million, mainly resulting from a more significant increase in negative changes in working capital of RMB561.2 million compared to the increase in profit before tax adjusted for non-cash and non-operating items of RMB478.3 million, and an increase in income tax paid of RMB95.0 million.

Our net cash flow used in investing activities increased from RMB30.9 million in 2021 to RMB34.6 million in 2022, and further increased to RMB59.2 million in 2023, mainly due to an increase in purchases of items of property, plant and equipment and other assets in the respective years.

Our net cash flow used in financing activities increased from RMB55.7 million in 2021 to RMB79.3 million in 2022, mainly due to (i) a decrease in new bank and other borrowings of RMB15.7 million, and (ii) an increase in payments of lease liabilities of RMB14.6 million; partially offset by a decrease in repayment of bank and other borrowings of RMB13.2 million. We recorded net cash flow used in financing activities of RMB79.3 million in 2022, while recorded net cash from financing activities of RMB99.0 million in 2023, mainly due to (i) an increase in capital contribution received from issuance of ordinary shares of RMB221.8 million, and (ii) a decrease in repayment of bank and other borrowings of RMB47.8 million; partially offset by (i) a decrease in new bank and other borrowings of RMB56.4 million, and (ii) an increase in payments of lease liabilities of RMB26.4 million.

For more details, see “Financial Information — Cash Flows” in this prospectus.

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## SUMMARY

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### Key Financial Ratios

The table below sets forth our key financial ratios as of the dates indicated:

	As of/Year Ended December 31,		
	2021	2022	2023
Gross profit margin <sup>(1)</sup> . . . . .	41.2%	41.9%	41.9%
Net profit margin <sup>(2)</sup> . . . . .	9.0%	7.3%	13.1%
Return on equity <sup>(3)</sup> . . . . .	16.0%	11.5%	34.9%
Return on total assets <sup>(4)</sup> . . . . .	10.9%	7.7%	24.1%
Current ratio <sup>(5)</sup> . . . . .	3.5x	3.4x	3.7x
Quick ratio <sup>(6)</sup> . . . . .	0.6x	0.7x	1.1x
Gearing ratio <sup>(7)</sup> . . . . .	17.7%	15.7%	8.4%
Debt to equity ratio <sup>(8)</sup> . . . . .	14.5%	8.7%	3.8%

*Notes:*

- (1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.
- (2) Net profit margin was calculated based on net profit after taxes divided by revenue for the respective year.
- (3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.
- (6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities as of the relevant dates.
- (7) Gearing ratio was calculated based on interest-bearing bank and other borrowings divided by total equity as of the relevant dates and multiplied by 100%.
- (8) Debt to equity ratio was calculated based on interest-bearing bank and other borrowings net of cash and cash equivalents divided by total equity as of the relevant date and multiplied by 100%.

### ***Gross Profit Margin***

In 2021, 2022 and 2023, our gross profit margin was approximately 41.2%, 41.9% and 41.9%, respectively. For more discussion of the factors affecting our gross profit margin during the Track Record Period, see “Financial Information — Review of Historical Results of Operations” in this prospectus.

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## SUMMARY

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### ***Net Profit Margin***

In 2021, 2022 and 2023, our net profit margin was 9.0%, 7.3% and 13.1%, respectively. For more discussion of the factors affecting our net profit margin during the Track Record Period, see “Financial Information — Review of Historical Results of Operations” in this prospectus.

### ***Return on Equity***

Our return on equity decreased from 16.0% in 2021 to 11.5% in 2022, mainly due to a decrease in net profit in 2022 primarily attributable to the negative impact of the pandemic. Our return on equity ratio increased to 34.9% in 2023, mainly due to the higher growth in net profit contributed by the significant increase in revenue and thanks to the elimination of the negative impact of the pandemic in 2023.

### ***Return on Total Assets***

Our return on total assets increased were 10.9%, 7.7% and 24.1% in 2021, 2022 and 2023, respectively, which were generally in line with the trend of return on equity.

### ***Current Ratio***

Our current ratio generally remained stable at 3.5x, 3.4x and 3.7x as of December 31, 2021, 2022 and 2023, respectively.

### ***Quick Ratio***

Our quick ratio was 0.6x, 0.7x and 1.1x as of December 31, 2021, 2022 and 2023, respectively. Such increase was mainly due to the greater increase in our current assets despite the growing inventories, which was in line with our business expansion and the accumulation of our ongoing operations.

### ***Gearing Ratio***

Our gearing ratio was 17.7%, 15.7% and 8.4% as of December 31, 2021, 2022 and 2023, respectively. Such decrease was mainly due to the greater increase in our total equity which was in line with our business expansion and the accumulation of our ongoing operations, as well as the increase of our share capital as a result of the pre-IPO investments we obtained in 2023.

### ***Debt to Equity Ratio***

Our debt to equity ratio was 14.5%, 8.7% and 3.8% as of December 31, 2021, 2022 and 2023, respectively. Such decrease was generally in line with our gearing ratio.



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## SUMMARY

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### CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Hongqiao Jinji directly held 56,101,300 Shares, representing approximately 39.33% of the total issued share capital of our Company and was deemed to be interested in 9,284,900 Shares held by Tianjin Jincheng of which Hongqiao Jinji is the general partner, representing approximately 6.51% of the total issued share capital of our Company and thus a Controlling Shareholder of our Company. Hongqiao Jinji is owned as to 70% by Mr. Xu and 30% by Mr. Xu Dongbo, the son of Mr. Xu.

As of the Latest Practicable Date, Mr. Xu directly held 31,934,400 Shares, representing approximately 22.39% of the total issued share capital of our Company and Mr. Xu Dongbo directly held 14,319,200 Shares, representing approximately 10.04% of the total issued share capital of our Company.

On November 8, 2023, Mr. Xu and Mr. Xu Dongbo entered into a joint-control confirmation, pursuant to which Mr. Xu and Mr. Xu Dongbo confirmed that they have jointly controlled the management and operation of our Group since the establishment of our Company, and will continue to jointly control the management and operation of our Group. They had agreed to consult with each other and reach a unanimous consensus between themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group and if there is any disagreement between them in respect of the operation and management of our Group, the decisions of Mr. Xu shall prevail. Therefore, Mr. Xu and Mr. Xu Dongbo are deemed to be concert parties.

Thus, as of the Latest Practicable Date, Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng together were entitled to exercise voting rights attached to the 111,639,800 Shares, representing approximately 78.27% of the total issued share capital of our Company. Since Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng together are able to control more than 30% of the voting rights in our Company, they will continue to be a group of Controlling Shareholders of our Company immediately after the Global Offering. For details, please see section headed “Relationship With Our Controlling Shareholders” in this prospectus.

### JOINT-CONTROL CONFIRMATION

On November 8, 2023, Mr. Xu and Mr. Xu Dongbo entered into a joint-control confirmation, pursuant to which Mr. Xu and Mr. Xu Dongbo confirmed that they have jointly controlled the management and operation of our Group since the establishment of our Company, and will continue to jointly control the management and operation of our Group. They had agreed to consult with each other and reach a unanimous consensus between themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group and if there is any disagreement between them in respect of the operation and management of our Group, the decisions of Mr. Xu shall prevail. Therefore, Mr. Xu and Mr. Xu Dongbo are deemed to be concert parties who have been and will continue to act in concert in the management and operation of our Group. For details, see paragraph headed “History, Development and Corporate Structure — Joint-Control Confirmation” in this prospectus.

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## SUMMARY

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### PREVIOUS A-SHARE LISTING ATTEMPTS

Our Company engaged Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) as our sponsor to submit our application for listing of our shares (the “**A-share Attempt**”) on the main board of the Shenzhen Stock Exchange (the “**SZSE**”) to the CSRC in June 2020. In August 2021, upon CSRC’s review, our Company’s A-share Attempt was not approved. Based on the decision of disapproval for the listing application of Laopu Gold Co., Ltd. (《關於不予核准老鋪黃金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 major comments and reasons of the CSRC for disapproving our Company’s A-share Attempt were (i) the necessity and fairness in pricing of our Company’s continuing transactions with Stationery Culture, a company controlled by the Controlling Shareholders after our Company had acquired the business of Golden Treasury; (ii) the reasonableness of our Company’s significant higher gross profit margin as compared to other market comparable; and (iii) the reasonableness for fund transfers between the related party and a management personnel of our Group and external manufacturers of the Company (the “**CSRC Comments**”).

In February 2022, our Company engaged China Securities Co., Ltd. (中信建投證券股份有限公司) as our sponsor for a proposed second A-share listing Attempt on the SZSE. Upon the completion of the pre-listing tutoring which did not constitute a listing approval for the proposed second A-share Listing Attempt by itself, our Company submitted our second A-share Attempt in June 2023 and subsequently withdrew it in late July 2023.

Our Directors are of the view that the CSRC Comments are no longer applicable or relevant to the Listing, and do not render our Company unsuitable for the Listing. For details, please refer to paragraphs headed “History, Development and Corporate Structure — Previous A-Share Listing Attempts” in this prospectus.

### PRE-IPO INVESTMENTS

During the period from November 2017 to November 2023, our Company obtained several rounds of investments, including Nov-2017 Capital Increase, May-2018 Capital Increase and Nov-2023 Capital Increase, from the Pre-IPO Investors through subscriptions for increased registered capital of our Company. For more details, please see “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$713.2 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming the Offer Size Adjustment Option and the Over-Allotment Option being not exercised and at an Offer Price of HK\$40.50 per Share.

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## SUMMARY

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We currently intend to apply these net proceeds for the following purposes:

- 73.3% or approximately HK\$523.3 million, will be allocated to expand our sales network, and promote the internationalization of our brand through opening new boutiques at both domestic and overseas markets within the next few years;
- 11.3%, or approximately HK\$80.4 million, will be allocated to maintain the positioning of our brand and increase our brand awareness;
- 2.7%, or approximately HK\$19.1 million, will be allocated to optimize the internal information technology system and enhance the level of automation and informatization, so as to improve the efficiency of our operation;
- 2.7%, or approximately HK\$19.1 million, will be allocated to strengthen our research and development capabilities; and
- 10.0%, or approximately HK\$71.3 million, will be allocated to our general working capital and general corporate purposes.

### **DIVIDENDS**

No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not have any dividend policy to declare or pay any dividends in the foreseeable future.

After completion of the Global Offering, 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.

There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, we do not intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the Global Offering.

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## SUMMARY

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PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdiction, including the IFRSs. According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of the losses incurred in the previous year;
- allocations to the statutory reserve equivalent to 10% of our profit after tax; and
- allocation to a discretionary common reserve of not less than 10% of our profit after tax that are approved by a shareholders' meeting.

### LISTING EXPENSES

We estimate that the listing expenses of approximately RMB67.9 million (HK\$74.5 million) (including underwriting commissions of approximately RMB28.7 million (HK\$31.5 million), assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK\$40.50 per Offer Share) will be incurred by our Company, among which (i) underwriting-related expenses, including underwriting commission and other expenses are approximately RMB28.7 million (HK\$31.5 million) and (ii) non-underwriting-related expenses are approximately RMB39.2 million (HK\$43.0 million), comprising (a) fees and expenses of legal advisors and accountants of approximately RMB23.5 million (HK\$25.7 million) and (b) other fees and expenses of approximately RMB15.7 million (HK\$17.3 million). As of December 31, 2023, we incurred a total of approximately RMB18.1 million (HK\$19.9 million) of listing expenses, among which RMB13.7 million (HK\$15.1 million) were recognized in our statement of profit or loss, and RMB4.4 million (HK\$4.8 million) were expected to be deducted from equity.

We estimate that additional listing expenses of approximately RMB49.8 million (HK\$54.6 million) (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK\$40.50 per Offer Share) will be incurred by our Company, among which approximately RMB17.5 million (HK\$19.2 million) is expected to be charged to our statements of profit or loss, and approximately RMB32.3 million (HK\$35.4 million) is expected to be deducted from equity. Our listing expenses as a percentage of gross proceeds is 9.5%, assuming an Offer Price of HK\$40.50 per Share and the Offer Size Adjustment Option and the Over-allotment Option are not exercised. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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## SUMMARY

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### OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering had completed and 19,451,300 H Shares were issued in the Global Offering, (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, and (iii) 162,093,800 Shares are in issue and outstanding following the completion of Global Offering.

	<u>Based on the Offer Price of HK\$40.50 per Share</u>
<b>Market capitalization of our Shares<sup>(1)</sup></b> .....	HK\$6,564.8 million
<b>Market capitalization of our H Shares<sup>(2)</sup></b> .....	HK\$3,584.3 million
<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share<sup>(3)</sup></b> .....	HK\$14.74

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*Notes:*

- (1) The calculation of market capitalization is based on 162,093,800 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (2) The calculation of market capitalization of our H Shares is based on 88,501,960 H Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) including the conversion of 69,050,660 Unlisted Shares into H Shares.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 162,093,800 Shares are in issue assuming the Global Offering have been completed on December 31, 2023 without taking into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option. For more details, please refer to the section headed “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus.

### SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the “Risk Factors” section. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include: (i) we operate in a highly competitive industry and if we are unable to compete effectively, our sales, profitability and growth prospects may be materially and adversely affected; (ii) if we are unable to respond effectively to changes in market trends and customer preferences, our market share and result of operations could be adversely affected; (iii) we depend on the impact of our “老鋪黃金” (LAOPU GOLD) brand, and any deterioration in our brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy; (iv) fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition; (v) challenging economic conditions and economic uncertainty over a prolonged period of time could materially and adversely affect our business; (vi) we outsourced the production of certain

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## SUMMARY

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products to external producers and relied on external manufacturers to secure the supply of our products when our in-house production capacity is insufficient. Our brand image and business may be negatively affected by our failure to maintain relationships with our external producers as well as the failure of our contracted external producers to deliver products that meet our quality standards to us on time; (vii) we procure raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms or at all; (viii) failure to maintain optimal inventory levels, ensure the security or manage the impairment risk of our inventory could have a material adverse effect on our business, financial condition and results of operations; and (ix) failure to recover a significant portion of our trade receivables in a timely manner may have a materially adverse effect on our business and financial results.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

#### Business Expansion

After the Track Record Period and up to the Latest Practicable Date, we opened three new boutiques in Beijing, Hong Kong, and Tianjin, respectively. There was no material adverse change in our business operation and financial performance subsequent to the Track Record Period and up to the Latest Practicable Date. For details of our expansion plan, see “Business — Product Sales — Our Boutiques — Our Boutique Network and Strategy,” “Risk Factors — Risks Relating to Our Financial Position — We expect to incur additional capital expenditure and increase in depreciation and amortization expenses associated with the expansion of our boutique network,” and “Future Plans and Use of Proceeds” in this prospectus.

#### No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our business, financial condition and results of operations, nor has there been any material adverse change in our revenue, cost of sales, gross profit, and gross profit margin, since December 31, 2023, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report included in Appendix I to this prospectus, and up to the date of this prospectus.

#### CSRC Filing

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), which was promulgated by the China Securities Regulatory Commission on 17 February 2023 and executed on 31 March 2023, domestic companies issuing and listing overseas shall, in accordance with these Measures, file with the CSRC, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain the shareholder information. Where a domestic companies issues and listings overseas, the issuer shall directly file with the CSRC.

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## SUMMARY

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We have submitted a filing to the CSRC to apply for the Global Offering and the conversion of Unlisted Shares into H Shares and listing of our H Shares on the Stock Exchange on November 14, 2023 and the CSRC accepted the filing on December 1, 2023. The CSRC published the notification on completion of filing procedures on March 25, 2024. No other approvals from the CSRC are required to be obtained for the listing of the H shares on the Stock Exchange.

### IMPACT OF THE COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic since the end of 2019 and the relevant subsequent control measures have influenced the offline sales growth since 2020. As a majority of our revenue was derived from offline sales of gold jewelry products, our sales performance and business operations were also impacted by the COVID-19 pandemic, though our revenue continued to grow during the Track Record Period.

The COVID-19 pandemic resulted in the closure of one boutique during the Track Record Period. In February 2021, we closed Hong Kong Harbor City Boutique (香港海港城店) after considering the then unfavorable market conditions under the influence of the COVID-19 pandemic. It achieved initial breakeven for a period of approximately two months since its establishment in June 2018, and generated operating profits in each of 2018 and 2019. However, it recorded operating loss in 2020 and 2021 as impacted by the COVID-19 pandemic.

Control measures such as lockdowns and travel restrictions also resulted in the temporary closure of our offline stores. In 2022, most of our boutiques experienced temporary closure. Specifically, for the 28 boutiques that had opened in 2022, 19 boutiques were temporarily closed for a period of 23.2 days on average, ranging from three days to 75 days. Our same-store sales were also affected by the COVID-19 pandemic. For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1,107.3 million in 2021 to RMB911.9 million in 2022, mainly as a result of the temporary closure of our boutiques. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic.

During the Track Record Period, certain of our boutiques incurred net operating losses during their respective operation under the influence of the COVID-19 pandemic. Among our 34 boutiques that have been in operation during the Track Record Period, we had five, three, and one loss-making boutique(s) in 2021, 2022, and 2023, respectively. Net operating losses incurred by our loss-making boutiques amounted to approximately RMB5.2 million, RMB4.6 million, and RMB0.1 million for the same corresponding years, primarily due to the adverse effects of the COVID-19 pandemic from 2021 to 2022, which was substantially eliminated in 2023.



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## SUMMARY

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During the Track Record Period, our production activities and supply chain were not materially and adversely affected by the outbreak of the COVID-19 pandemic, but were slightly impacted in 2022. Our actual production volume slightly decreased in 2022 as impacted by the COVID-19 pandemic, which resulted in a slight decrease in our utilization rate in the same year. We did not experience any material shortage or delay in our raw material supplies on account of the COVID-19 pandemic during the Track Record Period.

Since December 2022, the restrictive measures had been gradually eased. As of the Latest Practicable Date, all of our boutiques resumed normal operations. Although our revenue continued to grow during the Track Record Period and we had recovered from the impact of the COVID-19 pandemic since 2023, we may face various risks related to health pandemics and other natural disasters in the future. For details, see “Risk Factors — Risks Relating to Our Business and Industry — Any catastrophe could severely disrupt our business operations” in this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.*

“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” or “Articles of Association”	the articles of association to be adopted by our Company with effect upon Listing (as amended from time to time), a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“Capital Market Intermediaries”	the capital market intermediaries as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“China Gold Association”	a nationwide not-for-profit organization dedicated to gold industry mechanism establishment, approved and registered by the Ministry of Civil Affairs of the People’s Republic of China and the former State Economic and Trade Commission in November 2001 in accordance with the Proposal for Reforming the State Gold Management System defined by the State Council

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## DEFINITIONS

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“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Laopu Gold Co., Ltd.* (老鋪黃金股份有限公司), a limited liability company incorporated in the PRC on December 5, 2016 which was converted into a joint stock company with limited liability on November 25, 2019
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng for further details of which, please refer to the section headed “Relationship With Our Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“DT51”	a high-end shopping mall opened in January 2023 in Beijing under Beijing Hualian Group Investment Holding Co., Ltd. (北京華聯集團投資控股有限公司) (BHG)
“effective tax rate”	the rate equal to income tax expense divided by profit before tax
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

\* For identification purpose only

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## DEFINITIONS

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“FINI”	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“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 prospectus
“General Rules of HKSCC”	General Rules of HKSCC published by the Stock Exchange and as amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Treasury”	Beijing Golden Treasury Cultural Communication Co., Ltd. (北京金色寶藏文化傳播有限公司), (formerly known as Beijing Golden Treasury Travel Cultural Communication Co., Ltd. (北京金色寶藏旅遊文化傳播有限公司)) a limited liability company established on June 28, 2004 which was ultimately controlled by Mr. Xu and was de-registered on May 31, 2022
“Group”, “our Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries, or any one of them as the context may require
“H Share(s)”	Shares which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange with nominal value of RMB1.00 each
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HKFRS”	Hong Kong Financial Reporting Standard
“HKSCC”	the Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

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## DEFINITIONS

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“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give <b>electronic application instructions</b> via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
“HKSCC Operational Procedures”	the Operational Procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Laopu”	LAO PU (HONG KONG) COMPANY LIMITED (老鋪黃金(香港)有限公司), a limited company incorporated in Hong Kong on January 2, 2018 and one of our wholly-owned subsidiaries
“Hong Kong Offer Shares”	the 1,945,200 H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure of the Global Offering”)

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## DEFINITIONS

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“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong, on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreements”	the underwriting agreement dated June 19, 2024 relating to the Hong Kong Public Offering entered into by, among others, the Company and the Hong Kong Underwriters
“Hongqiao Jinji”	Beijing Hongqiao Jinji Consulting Co., Ltd. (北京紅喬金季諮詢顧問有限公司), a limited liability company incorporated in the PRC on July 5, 2017 and one of our Controlling Shareholders
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“Independent Third Party(ies)”	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules
“International Offer Shares”	the 17,506,100 H Shares being initially offered by us for subscription under the International Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) together with any additional H Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, in each case on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus

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## DEFINITIONS

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“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering which is expected to be entered into on or around Wednesday, June 26, 2024 by, among others, the Company, the Controlling Shareholders, the Sole Overall Coordinator, the Sole Global Coordinator and the International Underwriters
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“Latest Practicable Date”	June 11, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, June 28, 2024, on which the H Shares are listed and on which dealings in the H Shares are first permitted to commence on the Hong Kong Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Laopu”	LAO PU GOLD COMPANY LIMITED (老鋪黃金(澳門)一人有限公司), a limited liability company incorporated in Macau on September 17, 2019 and one of our wholly-owned subsidiaries



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## DEFINITIONS

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“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“MixC”	a high-end shopping mall under China Resources (Holdings) Company Limited (華潤(集團)有限公司), with a geographic layout covering over 30 cities in China.
“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)
“Mr. Xu”	Mr. XU Gaoming (徐高明), our executive Director and one of our Controlling Shareholders
“Mr. Xu Dongbo”	Mr. XU Dongbo (徐東波), one of our Controlling Shareholders, the son of Mr. Xu
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NIPA”	the National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局)
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	HK\$40.50, being the offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option

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## DEFINITIONS

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”Offer Size Adjustment Option”	the option under the Hong Kong Underwriting Agreement, exercisable by the Company prior to the execution of the International Underwriting Agreement, pursuant to which the Company may issue and allot up to an aggregate of 2,917,600 additional H Shares at the Offer Price, to cover additional market demand, if any, as described in the section headed “Structure of the Global Offering”
“Over-allotment Option”	the option to be granted by us to the International Underwriters exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 2,917,600 additional H Shares (representing approximately 15% of the total number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 3,355,300 additional H Shares (representing approximately 15% of the total number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price to, among others, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the 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
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisors”	Global Law Office, our PRC legal advisors

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## DEFINITIONS

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“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to the Global Offering, the details of which are set out in “History, Development and Corporate Structure” in this prospectus
“Pre-IPO Investors”	the investors in our Company prior to the Global Offering as named in “History, Development and Corporate Structure — Pre-IPO Investments — Information About the Pre-IPO Investors” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Sole Sponsor, Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their or our respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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

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## DEFINITIONS

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“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SKP”	a high-end shopping mall under BHG, with Beijing SKP, Xi’an SKP, and Chengdu SKP in its network.
“Sole Global Coordinator”	the sole global coordinator as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“Sole Sponsor”	the sole sponsor of the listing of the H Shares on the Hong Kong Stock Exchange as named in “Directors, Supervisors and Parties Involved in the Global Offering”
“Sponsor-Overall Coordinator” or “Sole Overall Coordinator”	the sponsor-overall coordinator and sole overall coordinator as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering”
“Stabilizing Manager”	China Securities (International) Corporate Finance Company Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stationery Culture”	Beijing Stationery Culture Development Co., Ltd. (北京文房文化發展有限公司), a limited liability company established on July 24, 2012 which was owned as to 70% by Mr. Xu and 30% by Mr. Xu Dongbo
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buybacks published by the SFC (as amended, supplemented or otherwise modified from time to time)

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## DEFINITIONS

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“Tianjin Jincheng”	Tianjin Jincheng Enterprise Management Consulting L.P. (Limited Partnership) (天津金橙企業管理諮詢合夥企業 (有限合夥)), a stock incentive platform established in the PRC which is controlled by Hongqiao Jinji as the general partner and one of our Controlling Shareholders
“Tianjin Jindi”	Tianjin Jindi Enterprise Management Consulting L.P. (Limited Partnership) (天津金諦企業管理諮詢合夥企業 (有限合夥)), a stock incentive platform established in the PRC which is controlled by WANG Jianming (王建明), the audit manager of Stationery Culture, as the general partner
“Tianjin Jinji”	Tianjin Jinji Enterprise Management Consulting L.P. (Limited Partnership) (天津金積企業管理諮詢合夥企業 (有限合夥)), a stock incentive platform established in the PRC which is controlled by LIU Qiong (劉瓊), our customer service director, as the general partner
“Tianjin Jinli”	Tianjin Jinli Enterprise Management Consulting L.P. (Limited Partnership) (天津金蒞企業管理諮詢合夥企業 (有限合夥)), a stock incentive platform established in the PRC which is controlled by LIU Zhi (劉志), our finance manager, as the general partner
“Tianjin Jinyong”	Tianjin Jinyong Enterprise Management Consulting L.P. (Limited Partnership) (天津金詠企業管理諮詢合夥企業 (有限合夥)), a stock incentive platform established in the PRC which is controlled by MA Le (馬樂), our senior manager of supply chain management, as the general partner
“Track Record Period”	the three financial years ended December 31, 2021, 2022 and 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

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## DEFINITIONS

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“Unlisted Shares”	unlisted ordinary Share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed or traded on any stock exchange
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“ <b>White Form eIPO</b> ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by making applications online through the designated website of the <b>White Form eIPO</b> Service Provider at <a href="http://www.eipo.com.hk"><u>www.eipo.com.hk</u></a>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“Yueyang Laopu”	Yueyang Laopu Gold Filigree Craft Co., Ltd. (岳陽老鋪黃金花絲工藝有限公司), a limited liability company incorporated in the PRC on March 28, 2018 and one of our wholly-owned subsidiaries
“%”	per cent

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

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## GLOSSARY OF TECHNICAL TERMS

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*In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group 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”	refers to fine gold with gold content of 99.99% or above, which is a common standard for denoting gold purity adopted by the Shanghai Gold Exchange
“breakeven”	the first month for the revenue of a newly opened boutique to at least equal its costs and expenses
“carving/engraving (鑿刻)”	a technique of using designed specific tools to carve different patterns on the surface of an object
“cash investment payback period”	the amount of time it takes for the accumulated operating profit from a boutique to cover the initial investment
“concession (聯營)”	a common commercial arrangement between a shopping mall and the stores located therein, where the shopping mall (instead of the stores by themselves) will collect the sales proceeds of the stores and invoice end customers, and settle with the stores later in an agreed period
“customer relationship management (CRM) system”	a system which enables a business to administer its interactions with customers by using data analysis to study large amounts of customer information
“enamel glaze (琺瑯釉)”	a decorative coloring coating material made from various minerals
“filigree (花絲)”	a technique of drawing gold into delicate threads and fashioning them into different shapes
“filigree inlay (花絲鑲嵌)”	a traditional gold crafting technique that combines filigree technique and inlay technique. It was approved by the State Council of the People’s Republic of China to be included in the national intangible cultural heritage list in 2008



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## GLOSSARY OF TECHNICAL TERMS

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“free forging (摟胎)”	a technique of shaping gold and silver using special tools to directly knock the gold or silver pieces into different shapes by hand
“gem-set jewelry”	jewelries with diamonds or other gemstones inlaid
“gemstone”	mineral crystals of aesthetics value, often used to make jewelry or ornament, among which diamond is a special kind of gemstone formed only from one single element of carbon, in comparison with other gemstones
“gold and silver inlay (金銀錯)”	a traditional technique of embedding threads of gold and silver to make decorative patterns on the surface of an object. It was approved by the State Council of the People’s Republic of China to be included in the national intangible cultural heritage list in 2014
“hammering (錘揲)”	a technique of beating gold with a hammer to make it extend and expand to a variety of shapes
“heat treatment of enamels (燒藍)”	a decorative process that entails the application of colored enamel glaze onto the surface of gold products, which results in a vibrant and multi-hued appearance
“heritage gold (古法黃金) jewelry”	a type of pure gold jewelry that combines modern designs and classic Chinese culture, features matte (啞光), sandy (磨砂) or other texture of ancient royal jewelry, and applies at least two Chinese traditional handmade gold crafting techniques as specified in the group standards published by the China Gold Association
“inlay (鑲嵌)”	a decorative method wherein diamonds or other gemstones are seamlessly integrated into gold or other alloys
“investment casting (失蠟成型)”	the process of using wax to create the casting model and then utilizing the model to create the object through pouring molten metal into it
“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%

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## GLOSSARY OF TECHNICAL TERMS

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“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
“new tier-one cities”	Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi’an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo and Hefei according to the Ranking of Cities’ Business Attractiveness in China 2023 (《2023城市商業魅力排行榜》) released by the New Tier One Cities Institute of YiMagazine (《第一財經周刊》新一線城市研究所)
“pure gold”	refers to fine gold with gold content of 99.0% or above, according to the PRC National Standard No. GB11887
“revenue/sales per sq.m.”	refers to the amount of revenue/sales generated per square meter of retail space, a metric commonly used by retail companies to determine the sales efficiency and calculated by dividing the amount of revenue/sales generated over a defined period with the amount of retail space used by a company
“sand hole repair and polishing (砂眼修補打磨)”	the process of repairing minor surface imperfections in the gold item by welding, followed by polishing and refining the surface using tools like sandpaper and files
“SKU”	stock keeping unit, representing the number of products in inventory. It is used to identify each unique product and keep track of stock level
“SPU”	standard product unit, representing the number of product design. It is used to describe the characteristics of a product and refer to specific styles
“tier-one cities”	Beijing, Shanghai, Guangzhou and Shenzhen according to the Ranking of Cities’ Business Attractiveness in China 2023 (《2023城市商業魅力排行榜》) released by the New Tier One Cities Institute of YiMagazine (《第一財經周刊》新一線城市研究所)
“wax ejecting (蠟模製作)”	the process of creating wax pieces based on design blueprints and casting requirements

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements relating to our plans, objectives, beliefs, expectations, predictions and intentions, which are not historical facts and may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks, uncertainties and other factors facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our future business development, financial condition and results of operations;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- the actions and developments of our competitors; and
- all other risk and uncertainties described in the section headed “Risk Factors” in this prospectus.

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

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## FORWARD-LOOKING STATEMENTS

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The forward-looking statements are based on our current plans and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking statements in this prospectus. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment 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 adverse effect on our business, financial condition and results of operations. In any such case, the trading price of our H Shares could decline, and you may lose all or part of your investment.*

*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 prospectus.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We operate in a highly competitive industry and if we are unable to compete effectively, our sales, profitability and growth prospects may be materially and adversely affected.**

The jewelry industry is highly competitive, and we face competition at an international, regional and national level. The jewelry market is characterized by the presence of well-established brands recognized for offering original and trendy designs and high-quality products with distinctive brand characteristics. Jewelry brands compete mainly on the basis of their brand image, the popularity and quality of their products, their sales network, the success of their marketing efforts and the quality of their customer service. Our competitors may have greater brand recognition or financial resources than we do, and they may be able to respond more quickly than we can to emerging market trends. In addition, there is a recent trend that certain wholesalers for gold and jewelry products begin to offer services to individual consumers. Such wholesalers may appeal to price-sensitive consumers due to their smaller price premium.

Competition in our market could cause us to increase capital investment, increase marketing and other expenditures or prevent us from increasing prices to recover higher costs, thereby causing us to reduce margins or lose market share. If we fail to compete effectively against our competitors, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

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

The success of our business is dependent on our ability to identify market trends and customer preferences, and then to design and bring to market in a timely manner products that satisfy the current preferences of a broad range of customers, by either enhancing existing products or developing new product offerings. However, customer preferences may shift over

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## RISK FACTORS

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time in response to changing economic circumstances. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy new preferences, our market share and our sales and profitability could be adversely affected.

**We depend on the impact of our “老鋪黃金” (LAOPU GOLD) brand, and any deterioration in our brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.**

We consider our “老鋪黃金” (LAOPU GOLD) brand to be one of our most important assets. Our sales of jewelry products rely on the strength of our brand. 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 boutiques. Our image is also built on our ability to control the perception of our brand, our product designs, the materials used to make our products, the presentation and quality of our products, the image of the boutiques in which our products are sold and the effectiveness of our brand messaging.

Failure to manage any of the above factors or the 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 maintain existing or attract new customers. In addition, our reputation and image may be negatively affected by certain factors which are beyond our control. For example, although we have never entered into any arrangement with any KOLs or fashion buyers to purchase our products and then resell them to other customers, we notice that the purchase amount and frequency from certain of our customers were higher than that of other customers, which may indicate that such buyers are not making the purchases purely for themselves. See “Business — Our Customers and Suppliers — Our Customers” in this prospectus. The subsequent sales of such buyers, if any, are totally beyond our control, and there is no guarantee that they will not resell our products with defects caused by them or replace our products with counterfeit ones, which may deteriorate our image and reputation among customers. Should our brand or image deteriorate, we may not be able to maintain our current prices and/or sales volumes or introduce new products or enter new markets, which may materially and adversely affect our business, results of operations, financial condition and our growth strategies.

**Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition.**

Our purchases of raw materials represent the largest component of our cost of sales, and significant fluctuations in the prices of raw materials, which primarily include gold, can have a significant effect on our business, results of operations and financial condition.

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Gold prices may be affected by a number of factors, such as (i) industrial and jewelry demand, (ii) lending, sales and purchases of gold by government agencies (including central banks) and multilateral institutions that hold gold, and other proprietary trading and (iii) sales of recycled gold, levels of gold production, production costs and supply disruptions in major gold-producing nations, such as South Africa, the United States and Australia. Gold prices may also be affected by factors resulting from how gold markets are structured, such as non-concurrent trading hours of gold markets and, at times, rapid short-term changes in supply and demand because of speculative trading activities. Other factors affecting the price of gold include the structure of, and confidence in, the global monetary system, expectations of the rate of inflation, the relative strength of, and confidence in, the US dollar (the currency in which the price of gold is generally quoted), interest rates, gold borrowing and lending rates, and global or regional economic, political, regulatory, judicial or other events, as well as wars and other upheavals. In addition, we are susceptible to the fluctuations in gold prices, as we do not have any hedging instruments to manage such fluctuations.

Our revenue growth during the Track Record Period was partially attributable to the continuous rise in the gold price, which boosted consumers' willingness to purchase gold products, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values. However, we cannot assure you that the gold prices will maintain at current level or continue to increase. If gold prices decrease in the future, consumers may perceive gold jewelry as less valuable or may prefer other investment options, leading to reduced demand for our products and affecting our sales and revenue. In addition, our inventories are stated at the lower of cost and net realizable value. During the Track Record Period, the vast majority of our inventories consisted of gold inventories, and therefore the fluctuations in our inventories was mainly influenced by changes in the purchase price of gold and the quantity of gold inventories we held. In the future, a decrease in gold prices may also result in a decrease in the carrying value of our inventories, negatively affecting our financial statements.

We use diamonds in our jewelry production and a majority of the world's supply of rough diamonds is controlled by a limited number of diamond mining firms. Any decisions made by this limited number of diamond mining firms to restrict the supply of rough diamonds could substantially impair our ability to source diamonds at commercially acceptable prices, if at all.

While a significant percentage of our raw materials are commodities, which are obtainable through a variety of sources, if the (i) availability of, (ii) our access to, or (iii) the cost of purchasing certain raw materials that we need for our products is adversely affected (for example, due to a decrease in the number of suppliers of such raw materials, or a reduction in the overall availability of such raw materials — whether due to a lack of supply, the loss of a supply contract, increased demand from our competitors or fluctuations in world market prices), we may have to pay more for, or may be unable to source, these raw materials.

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**Challenging economic conditions and economic uncertainty over a prolonged period of time could materially and adversely affect our business.**

The demand for our products depends, in part, on the income and spending patterns of our current and prospective customers, which are affected by prevailing economic conditions, job market outlook and the performance of stock market and other investments, as well as expected future global and regional macroeconomic conditions such as employment rates, inflation and interest rates. Any adverse economic developments in one or more of our key markets where the majority of our revenue is generated, could result in reduced demand for our products, which in turn could result in lower revenue and reduced profit. Our business, results of operations and financial condition would likely be hindered by an economic downturn in any of our key markets or generally.

On the other hand, even if amid an economic upturn, we may still face challenges to maintain consumers' demand for our products. Our revenue growth during the Track Record Period was partially attributable to the continuous rise in the gold price, which boosted consumers' willingness to purchase gold products as gold is often regarded as a safe-haven asset when facing economic uncertainty. If economic uncertainty lifts in the future, the gold prices may decrease, leading to reduced demand for our products and affecting our sales and revenue.

We cannot assure you that general consumer demand in our markets will not be adversely impacted by global economic conditions. In addition, in the event that our competitors react to any declines in consumer confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted and we may have to intensify our marketing efforts in order to compete effectively. Such efforts could materially and adversely affect our business, results of operations and financial condition.

**We outsourced the production of certain products to external producers and relied on external manufacturers to secure the supply of our products when our in-house production capacity is insufficient. Our brand image and business may be negatively affected by our failure to maintain relationships with our external producers as well as the failure of our contracted external producers to deliver products that meet our quality standards to us on time.**

During the Track Record Period, we outsourced the manufacturing of our certain jewelry products to external producers. In 2021, 2022 and 2023, our outsourcing processing fees were approximately RMB17.2 million, RMB15.2 million and RMB42.1 million, respectively, representing 2.3%, 2.0% and 2.3% of our total cost of sales in the corresponding year. In 2021, 2022, and 2023, production volume from outsourcing production accounted for 36%, 32%, and 41%, of our total production volume, respectively. See “Business — Procurement and Production — Production — Outsourced Production” in this prospectus. When there is a significant increase in market demand for our products while the utilization rate of our in-house production facility is close to or even exceeds 100%, we need to involve external manufacturers to ensure timely delivery of products to some extent. However, there is no



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assurance that we will be able to maintain the relationships with our external manufacturers. In the event that our external manufacturers terminate their business relationship with us, we may be unable to find qualified external manufacturers on a timely basis and on commercially acceptable terms, and our business, financial conditions and results of operations may be adversely affected.

Although we have set strict quality standards for our external procedures, as we have limited control over the operations of them, 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 external procedures could subject us to liability or damage our reputation and reduce the demand for the products we sell.

In addition, the ability of our external producers to deliver the products we order on time can be negatively affected by various factors including, among others, (i) significant shortage in manpower, (ii) significant unscheduled downtime at their facilities due to equipment breakdowns, power failures, weather conditions and so forth; (iii) being requested by relevant authorities to suspend production for rectification due to violation of labor, environmental protection, fire prevention or other laws and regulations; and (iv) delays in delivery due to transportation shortages, work stoppages, infrastructure congestion or natural disasters. The failure of our external 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 external procedures 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.

**We procure raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms or at all.**

During the Track Record Period, we had material reliance on our major suppliers, especially our largest supplier in each year during the Track Record Period, for raw materials. The aggregate purchases from our five largest suppliers in each year during the Track Record Period was RMB772.1 million, RMB704.5 million and RMB2,144.5 million, accounting for approximately 95.1%, 93.3% and 95.0% of our total purchases for the respective periods. Our purchase from the largest supplier in each year during the Track Record Period amounted to RMB605.9 million, RMB633.8 million and RMB1,826.0 million, accounting for approximately 74.7%, 84.0% and 80.9% of our total purchases for the respective year. 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, especially our largest supplier in each year during the Track Record Period, fails to meet our purchase orders on a timely manner or fails to offer us commercially acceptable terms or fails to supply us with materials of the quality and quantity that we require or terminates their business relationship

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with us, we may be unable to source sufficient raw materials from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial conditions and results of operations may be adversely affected.

**Our brand and products may be subject to counterfeiting, imitation or infringement by third parties, which may lead to loss in consumer confidence and materially and adversely affect our brand reputation.**

We rely on intellectual property laws in the PRC and other jurisdictions to protect our brand and trademarks. We may be subject to counterfeiting and imitation by external parties that manufactured and marketed their products under “copycat” brand names and trademarks that closely resembled ours. While we take steps 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 quickly. See “Business — Intellectual Property” in this prospectus. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name and lead to a loss of consumer confidence in our brand. For example, if the details of our designs were inappropriately obtained or leaked prior to our product launch, it is likely that copycat products would be marketed prior to our official product launch, which could materially and adversely affect our brand name, sales and profitability.

Any litigation to prosecute infringements upon our rights and products will be expensive and will divert our management’s attention as well as other resources away from our business. We may have to bear the costs arising from such litigation to the extent we are unable to recover them from the relevant parties. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**Failure to maintain optimal inventory levels, ensure the security or manage the impairment risk of our inventory could have a material adverse effect on our business, financial condition and results of operations.**

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2021, 2022 and 2023, the balance of our inventories was RMB770.3 million, RMB806.8 million and RMB1,267.9 million, respectively. In 2021, 2022 and 2023, our inventory turnover days were 357 days, 383 days and 205 days, respectively. See “Financial Information — Discussion of Selected Items From Consolidated Statements of Financial Position — Inventories” in this prospectus. We are exposed to inventory risks as a result of a variety of factors which are beyond our control, including delay or disruption in the supply by our suppliers, changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately

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predict these trends and events and maintain adequate levels of inventory at all times. Any unexpected decrease in the market demand for the products we sell could lead to excessive inventory, which may adversely affect our financial condition and results of operations. On the other hand, insufficient inventory level may cause us to lose sales to our competitors and our results of operations may also be adversely affected accordingly.

We are also subject to certain risks related to product warehousing. Accidents such as theft, fire, explosion, smoke, water damage and weather damages may cause damage to the products we store in our warehouse and adversely affect our ability to supply products to our boutiques 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 customers. If any one or more of the above risks were to occur, our market reputation, business, financial condition and results of operations may be adversely affected.

Furthermore, due to the expansion of our business, our inventory may further increase in the future. If the market price of gold and other raw materials declines significantly, we will be exposed to the risk of inventory impairment, which may have an adverse impact on our financial condition and results of operation.

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

The success of our business depends on our ability to consistently deliver high-quality products. Maintaining consistent product quality depends on a variety of factors, including quality design and craftsmanship, the procurement and use of quality raw materials and the effectiveness of our quality control systems. The effectiveness of our quality control systems depends on several factors, including the design of our quality control systems and our ability to ensure that our employees adhere to our quality control policies and guidelines. Although we implement quality control standards and measures throughout our entire manufacturing process, we cannot assure you that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. See “Business — Procurement and Production — Quality Control and Assurance” in this prospectus. If the quality of any of our products deteriorates for any reason, or if the consumers do not perceive our products to be in line with their expectations, we may be faced with returns or customer complaints which could result in a loss of customers and sales.

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

Our staff costs, which are allocated among our selling and distribution expenses, administrative expenses and research and development expenses, amounted to RMB156.3 million, RMB177.7 million and RMB264.9 million in 2021, 2022 and 2023, respectively. Labor cost increases may cause our production costs to increase, and we may not be able to pass on such increase to our customers.

Since our products feature traditional handmade gold craftsmanship, our production capacity is primarily determined by the production manpower of our factory. 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 conditions 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” in this prospectus. 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.

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

Our products are all independently designed and have won the favor of consumers with the elegant and exquisite product appearance and continuous product iteration. The development process of our designs usually includes four steps: overall research and development planning, product design and sampling, sample acceptance and post product maintenance. See “Business — Our Products — Product Design and Development — Product Design and Development Process” in this prospectus. If our research and development of products fails to continue to meet customers’ demand, the sales of our products may be negatively affected. In addition, our competitors may develop production techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques out-of-date and our business non-competitive. Should any of these factors materialize, our business, financial conditions and results of operations could be materially and adversely affected.

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### **Our processing and production plants are concentrated in Yueyang.**

A majority of our jewelry products are processed and produced in our production facilities located in Yueyang. The concentration of our production facilities and our raw material warehouses in a single geographical region, Yueyang, means that our business and results of operations are dependent on the degree to which we are able to continue to import raw materials into, manufacture products in, and export products from, this region. Our operations in Yueyang could also be adversely impacted due to changes in local economic conditions, increases in wage levels, trade issues, strikes or other labor unrest in, or affecting, our production facilities, widespread public health problems, delays in shipments to or from Yueyang, or other disruptions due to power outages, theft, robbery, fire or natural disasters. Any of the above factors could increase the costs of our production or disrupt our production in Yueyang, which may have a material adverse effect on our business, results of operations or financial condition.

### **We may experience disruptions or delays in our production.**

Significant shortage in manpower and unscheduled downtime at our facilities due to equipment breakdowns, power failures, planned power outages, weather conditions, fire or explosion or other natural disasters could cause disruptions in our operations or delay our delivery schedules.

While we have implemented policies to reduce risks of such incidents, the risk of any disrupting event in the future cannot be eliminated. Should our ability to operate at our facilities be compromised for any reason, it could take a significant amount of time and resources to replace our manufacturing capabilities, which could materially and adversely disrupt and delay our production or prevent our products from being finished if alternative facilities cannot be located.

If any manufacturing plant were to be damaged or cease operations, including as a result of an explosion, fire or other disruptions, it would temporarily reduce our manufacturing capacity and affect our ability to provide our products to our customers, which could adversely affect our reputation, sales, business, financial condition and results of operation.

### **Inadequate production capacity could hinder our capability to satisfy customer demand.**

We cannot assure you that our production capacity will be adequate to meet the overall market demand for our products, especially if we experience increased demand for our products as we expand our network of boutiques. Similarly, we cannot assure you that we will be able to meet the overall demand for our products or demand for any of our specific products in particular, should the production in any of our production facilities be disrupted in the future, especially during periods when we experience high demand for some or all of our products. Under these circumstances, our business, financial condition and results of operations may be materially and adversely affected.

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In the future, as our business grows, we may need to expand our production capacity through various measures, including the construction of new factories. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. A number of factors could delay our expansion plans or increase our costs, including:

- failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises;
- failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner;
- failure to find new sites for our production facilities;
- shortage or late delivery of building materials resulting in late delivery of the premises for occupancy and use;
- various factors affecting construction progress and resulting in late delivery of the premises for occupancy and use; and
- technological changes, capacity expansion or other changes to our plans for the new premises necessitated by changes in market conditions.

Failure to expand our production capacity could hinder our capacity to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the construction of new premises and the maintenance of expanded production capacity. A delay in or cancelation of our expansion plans could also subject us to disputes with various counterparties, including shopping malls, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We may not be able to find suitable locations for new boutiques on commercially acceptable terms, if at all.**

Our future development depends, to a significant extent, on the location of our new boutiques. When selecting a site for a boutique, we take into account various factors, including:

- whether it is located in a central or prime shopping district, or in a shopping center with significant consumer traffic;
- the risk of cannibalization of existing boutique sales by the new boutique opening;
- its convenience and accessibility to our target consumer group;
- the expected pedestrian flow;

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- the size of the available space;
- the availability of supplementary facilities including parking lots; and
- the level of surrounding competition.

As of the Latest Practicable Date, all of our boutiques are located on leased properties. Going forward, as we open more boutiques, we will need to secure more retail locations through leases, concession or ownership, as determined on a case-by-case basis. The supply of prime locations for new boutiques is scarce and the competition to secure these locations is intense. As a result, we may not be able to identify and lease or acquire suitable locations or sign concession agreements with related shopping malls for our new boutiques.

Our ability to purchase or lease suitable properties or sign concession agreements with related shopping malls on terms acceptable to us 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 or sign concession agreements with related shopping malls 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 boutiques in the localities we plan to expand into, our business and growth prospects will be adversely affected.

**If we fail to maintain or renew the lease agreements or concession agreements of our boutiques with shopping malls, particularly the top five shopping malls, our business and results of operations may be negatively affected.**

We enter into lease agreements or concession agreements with shopping malls for our boutiques. 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 various reasons, such as the disputes with the landlords of our boutiques, prior to their expiration, we will need to relocate the relevant boutiques to alternative premises. Any relocation of a boutique 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 boutique. Particularly, revenues derived from our boutiques in the top five shopping malls accounted for 35.7%, 37.2% and 39.1% of our total revenues in 2021, 2022 and 2023, respectively. See “Business — Our boutiques — Performance of Our Boutiques” in this prospectus. If we fail to renew the lease agreements or concession agreements with any or all of the top five shopping malls, the operation of our boutiques in such shopping mall(s) could be disrupted, which may negatively affect our business and results of operations. In addition, we cannot assure you that our boutiques will avoid losses or maintain a level of sales, profitability or growth that is consistent with historical rates. In particular, as our leases typically have terms between one to five years, we cannot assure you



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that the premises and location of our boutiques will remain attractive during our occupancy of the premises. In such cases, the sales and profitability of such boutiques may be materially and adversely affected, and we may incur additional costs in terminating our lease or concession agreement, vacating the property and subsequently relocating the boutique.

**Our new boutiques may not achieve our expected level of profitability within our desired time frame, or at all.**

As part of our growth strategy, we plan to open approximately ten new boutiques in mainland China and around five new boutiques outside of mainland China, including Hong Kong, Macau, Tokyo and Singapore, in the next three years. For more details of our expansion plans, see “Business — Product Sales — Our Boutiques — Our Boutique Network and Strategy” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus. Opening new boutiques requires significant capital outlays upfront, including the cost of the boutique inventories, rent or concession fee, and the cost of hiring and training of managers and sales staff. A new boutique may not achieve our expected level of profitability for a prolonged period of time, or at all, due to a variety of factors, including, among others, (i) our ability to properly position our new boutiques 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 not entirely within our control. If our new boutiques do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plan and profitability may be adversely affected.

**We are exposed to risk of cannibalization between our existing and new boutiques.**

We position our boutiques to effectively capture market demands from our target customers, while the development plan of each boutique is determined based on additional factors that may vary at different geographic regions, such as general economic condition, average disposal income, distinctive local trend or preference, as well as competition. In developing our boutique network, we intend to, where appropriate, open new boutiques in and around areas of existing boutiques to leverage operational efficiencies and effectively serve our customers. Our existing and new boutiques may engage in market cannibalization among themselves. The capacities and growth in some of our target location and demands from our target customers for our products may be limited and may not be able to support our expansion plan. There could be overlapping coverage and unexpected competition between our existing and new boutiques due to the over-expansion and cannibalization effect. As a result, our new boutiques may not perform as anticipated and may have adverse effect on the overall performances of our boutiques and our profitability. There is no assurance that our measures to mitigate potential cannibalization among different boutiques can always be successful, the occurrence of, which could, in turn, adversely affect our business, financial condition or results of operations.



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**A significant portion of our online sales in Mainland China depends on certain online platforms.**

We rely on a limited number of key online platforms for a substantial portion of our online sales in mainland China, including e-commerce platforms such as Tmall.com, JD.com, and WeChat Mini Program, which are owned, controlled by, or associated with, a limited number of technology companies. In 2021, 2022 and 2023, the revenue we generated from online sales channels represented 10.2%, 13.0% and 11.4% of our total revenue. As such, we may be subject to concentration and counterparty risks from these key online platforms. We cannot assure you that we will be able to maintain our relationships with our key online platforms. These platforms are not obliged to continue to cooperate with us in the future at a level similar to historic levels, or at all. Should any of these key platforms terminate their business relationship with us entirely, we may not be able to secure new online sales platforms to compensate for such reduction in sales demand or loss of business. If our relationship with these key online 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 condition, results of operations and prospects may be materially and adversely affected.

**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 customers and gaining new purchasers from various online channels, as well as our ability to retain 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. The success of our online sales channels 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 mainland 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 customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

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

We sell our products through both offline boutiques and online platforms. The success of our business depends on optimizing sales channels with the goal of providing the same level of customer satisfaction in all of those channels. In line with our multi-channel strategy, we have been progressively implementing initiatives over the Track Record Period. For example, we apply the same Customer Loyalty Program to our offline boutiques and online stores, which enables our members to enjoy the same membership benefits in both channels. In addition, we provide comprehensive after-sale consumer services both online and offline. Customers who purchased our products online can also seek after-sale services in our offline boutiques. However, we cannot assure you that these initiatives, or any future initiatives, will be successful in integrating and effectively managing our omni-channel model. Any failure of such may affect our customers' shopping experience and therefore have a material influence on our business performance.

**Our marketing activities may not be effective in attracting our target customers.**

We market our brand and products through various channels and methods, including displaying advertisements at or around the shopping malls where our boutiques are located and placing advertisements on social media and other digital platforms. We also actively participate in promotion activities hosted by shopping malls that we collaborated with, or shopping festivals by online sales platforms. These marketing activities result in significant advertising and promotion expenses. In 2021, 2022 and 2023, our advertising and promotion expenses were RMB10.3 million, RMB15.1 million and RMB18.8 million, respectively. We cannot assure you that our marketing activities will enable us to successfully promote our brand and products or increase our sales.

In addition, we rely on our sales and marketing personnel to implement effective marketing campaign. Our sales and marketing personnel are required to have a good knowledge of our heritage gold products. If we are unable to effectively train our in-house sales and marketing personnel or monitor and evaluate their performances, our sales and marketing may be less successful than desired. Moreover, competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, we may be unable to expand our business coverage or increase our market penetration as contemplated.

The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in slower revenue growth which may not fully reflect the effort or costs of the sales and marketing activities. If the results of our marketing activities fail to meet our expectations, or if we fail to conduct our marketing activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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**If Buyer Customers cease to offer our products to end-customers on terms more favourable than those otherwise available to such end-customers, our business and results of operations may be negatively affected.**

Currently, some end-customers are willing to purchase our products through Buyer Customers since such Buyer Customers can offer our products to end-customers on terms more favourable than those otherwise available to such end-customers. See “Business — Our Customers and Suppliers — Our Customers” in this prospectus. However, as we have never entered into any arrangement with any Buyer Customers to purchase our products and then resell them to other customers, we cannot predict whether such Buyer Customers will cease to offer our products in the future. If they do so, price-sensitive end-customers might choose not to purchase our products, leading to a potential decrease in sales volume, which in turn, may negatively affect our business and results of operations.

**Any negative news concerning the personnels whom we engage to market our products could materially and adversely affect our sales and reputation.**

As an established brand, our brand image is sensitive to the public’s perception of our business. Public perception of our business is formulated not only by the quality and competitiveness of our products, but also the culture, values and ethics that we embody as a business. We cannot assure you that the personnels whom we engage to market our products, or any celebrities whom we may engage in the future, will not, intentionally or incidentally, distribute information about us or our products that may result in a negative perception of us by the public. In addition, even though we only engage personnels who share our core brand values, we cannot assure you that their actions will not deviate from our core values, and any negative publicity regarding our spokespersons may result in a negative perception of us by the public even if the negative publicity does not involve our products at all. Any negative publicity about our spokespersons or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

**We may fail to protect our proprietary data and customer information.**

We believe that our ability to compile and analyze sales and customer data is critical to our success. We have built a large customer database leveraging our extensive network of boutiques and our information technology systems. We obtain customer data, such as our customers’ personal information, Loyalty Member information and transaction history, primarily through our boutiques and online stores. Concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in decreases in the online traffic to purchase our products and the overall sales, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies 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 customers may elect to make online purchases. Furthermore, our third-party logistics service providers may also violate their confidentiality obligations and illegally or improperly disclose or use information about our customers. Any negative publicity regarding the safety or privacy protection mechanism and policy of our information technology systems or online sales channels could have a material adverse effect on our brand image and reputation.

Furthermore, the regulations governing data privacy and the use of personal data are evolving. Any change in the regulations governing the use of personal data could adversely affect our ability to collect, use and store such data or discourage our customers from using our online sales channels, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

### **Our sales may be affected by seasonality.**

We experience seasonal fluctuations in demand for our products, especially around holidays and shopping festivals. The peak seasons include the Mid-Autumn Festival and the PRC National Day holiday, the period from Christmas till Chinese New Year, and the period from Chinese New Year till Valentine's Day. Besides, the third-party platforms where we sell our products also have numerous shopping festivals that affect market demand, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). Therefore, we typically record higher sales in the first and fourth quarters of a calendar year. Due to these seasonal factors, comparison of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. In addition, these seasonal consumption patterns may cause our operating results and financial condition to fluctuate from period to period.

### **Delivery delays, poor handling by third party logistics providers or disruptions, security hazards in the transportation network may adversely affect our business.**

We outsource the delivery of the products we sell online to independent third-party logistics service providers. As of December 31, 2023, we mainly engaged three logistics service providers. Disputes with, or the termination of our contractual relationships with, one or more of our logistics service providers could result in delayed delivery of products, increased costs or customer dissatisfaction. We cannot assure you that we can continue or extend relationships with our current logistics service providers on terms and prices acceptable to us, or at all. We also cannot assure you that, as we expand our online channels, we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, we may experience increases in our costs, or disruption to our

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## RISK FACTORS

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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 these logistics service providers, we cannot guarantee the quality of their services. If there is any delay in delivery, damage to products resulting from poor handling, we may lose customers and sales and our brand image may be damaged.

In addition, delays in delivery due to disruptions to the transportation network, such as natural disasters, strikes or infrastructure congestion, could adversely impact our ability to timely deliver products to our online customers. Moreover, due to the high value of our products, the transportation of products to online customers also expose us to security risks including theft and robbery. Should any of these factors materialize, our business, financial conditions and results of operations could be materially and adversely affected.

**Interruption or security breaches to our IT systems may have a material adverse effect on our business, results of operations or financial condition.**

We rely on information technology systems including the Kingdee System, for the timely exchange of business information between our warehouses, factories, boutiques and headquarter, and these systems are critical to our day-to-day business operations. 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.

**Our efforts in developing and investing in technology may not generate the expected outcomes.**

We rely on technology, including Kingdee System and CRM System, in many aspects of our operations. We have invested and plan to continue to invest in maintaining and upgrading these systems. However, we may not always be successful in developing, installing, running and migrating to new software or systems as required by our business development.

In addition, we have made and continue to make investments in digital initiatives, applications and tools to enhance customer experience. A key element of our customer retention and acquisition strategy is using digitalization to make it easier for customers to stay engaged with our brand and products. For example, we have developed a WeChat Mini Program which allows customers to place orders and engage with our sales personnel seamlessly without visiting our offline stores. We intend to continue to invest in digitalization and launch more initiatives and services across our markets.

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Although we continuously upgrade our technologies to keep up with the latest industry developments, we cannot assure you that our investment in these technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

We maintain different types of insurance policies to cover our operations. For example, we purchase public liability insurance for our boutiques and property damage insurance for the gold in our Macau boutique. However, there can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we generally do not maintain Property All Risks Insurance policies for our boutiques in mainland China. Although we have put in place various measures such as vaults and 24-hour surveillance to safeguard our inventories and other properties at our boutiques, there is no assurance that these measures are sufficient enough to protect us against accidents such as theft, fire, explosion, etc. If any of such accidents occur and there is no insurance to cover our losses arising therefrom, our business, financial condition and results of operations could be materially and adversely affected.

**We rely upon certain key personnel. If they leave or become unable or unwilling to fulfill their roles, our business and future growth may be affected adversely.**

Our success depends significantly on the efforts and abilities of key individuals who have valuable experience and knowledge of our products and industry, and who have made substantial contributions to the development of our operations, the design and craftsmanship of our products, and raw material procurement. If we were to lose such personnel, including those from our senior management team, design and production team, or raw material procurement team, or other key employees, or if these individuals fail to devote the same amount of time and effort to our business as they have done in the past, we cannot assure you that we would be able to replace such individual or individuals with new personnel capable of making the same contribution in the near term or at all. As such, the loss of the services of one or more of these key individuals, or any negative market or industry perception arising from such loss, could have a material adverse effect on our business, results of operations and financial condition.

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## RISK FACTORS

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

We have established risk management and internal control systems consisting of organizational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including the identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all our exposure to risks.

Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

**Our business depends on our intellectual property, particularly our trade name, trademarks, product designs and trade secrets, which we may not be able to protect against infringement and unauthorized use in counterfeit products.**

We consider our “老鋪黃金” (LAOPU GOLD) trade name, related trademarks and other intellectual property rights to be critical to our success and competitive advantage. Our policy is to register and protect such intellectual property rights in the jurisdictions in which we operate to the extent that we are able to under relevant local law. As of December 31, 2023, we registered 526 trademarks in China and 35 overseas. However, we cannot assure you that we can successfully renew the trademark applications beyond expiration of our 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 conditions and results of operations will be materially and adversely affected.

Further, although we are not aware of any material violations, infringements or unauthorized use in relation to our trade name or trademarks, we cannot assure you that the steps we have taken to protect our trade name, trademarks and other intellectual property rights are sufficient or will be sufficient to protect such intellectual property rights, or that such intellectual property rights will not be subject to infringement in the future. Any unauthorized use of such intellectual property rights could harm our brand, market image and reputation, which could adversely affect our financial condition and results of operations. In addition, our results of operations may be adversely affected as a result of incurring additional costs and the diversion of management’s attention when initiating any trade name or trademark claims.

Trade names that are identical or similar to our trade name may have been registered or used by third parties in other markets we may decide to enter. We may incur significant expenses should we decide to acquire the right to use our trade name in these markets. If we are unable to acquire these rights on terms acceptable to us, or at all, we may be unable to enter these markets using our trade name.



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## RISK FACTORS

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In addition, our key craftsmanship, including filigree, carving, embedding and heat treatment of enamels, is rooted Chinese ancient gold-making traditions and has been passed down through generations. Since most of our craftsmanship is in public domain, we can only protect the know-how of our craftsmanship in term of trade secrets. There can be no assurance that such protections are adequate, and in the event that third parties copy our know-how, the competitiveness of our products and our reputation could be adversely affected, which could in turn affect our business and results of operational. In addition, we may face difficulties in proving that a third party has copied our know-how or may incur high costs even if we are successful in proving so.

**We may be subject to intellectual property infringement claims which may be expensive to defend and may result in significant liabilities.**

Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark infringement or other intellectual property claims against us are successful, we may be required to take significant liabilities. In addition, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Failure to obtain certain intellectual property in time may materially and adversely affect our business, financial condition and results of operations.**

We are applying for, and may in the future apply for, certain trademarks, patents or other intellectual property rights. Such application process takes some time and our use of these intellectual property rights may lack legal protection during this period. Failure to obtain these intellectual property rights in time may affect our brand, our products and our operations which may result in loss of our customers and damage of our reputation, which may in turn materially and adversely affect our financial condition and results of operations. Any unauthorized use of such intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and financial condition. See "Business — Intellectual Property" in this prospectus.



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**Any loss of or failure to obtain or renew the certificates, licenses, approvals and permits or to complete various registrations or filings applicable to our business, may materially and adversely affect our business, results of operations, and financial condition.**

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, 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, Permits and Approvals” in this prospectus. 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. For example, as of December 31, 2023, some of our leased properties used for business operation were yet to complete registration and filing procedures. See “Business — Properties” in this prospectus. As advised by our PRC Legal Advisors, the non-registration 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 registration within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in registration for each of such leased properties. Further, 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, the PRC laws and regulations may continue to evolve. If we fail to adjust in a timely manner to ensure compliance with these new changes, 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 and results of operations.

**We are exposed to the risk of litigation, claims and disputes, which may cause us to pay significant damages awards and incur other costs.**

We believe that all of our operations are in material compliance with applicable laws and regulations in the jurisdictions in which we operate. However, we cannot assure you that we will not be subject to liabilities in the future. Substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against the Directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, such proceedings could result in us incurring additional costs and significantly harm our reputation, which could materially affect our business, financial condition and results of operations.

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## RISK FACTORS

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**Negative publicity about us, our Shareholders and affiliates, our brand and our management may have a material adverse effect on our business, reputation, and the trading price of our Shares.**

Negative publicity about us, our Shareholders and affiliates, the products we provide, 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. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' expectations as to the quality of our products or services, our customers may disseminate negative comments on social media platforms. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, our management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

**Any catastrophe could severely disrupt our business operations.**

Health pandemics may adversely impact in the long term, on the economy and social conditions globally, which may cause temporary decrease in demand for jewelry products, and adversely affect our business, financial condition and operations. For example, certain of our boutiques were closed temporarily due to the impact of COVID-19 during the Track Record Period. If there is another COVID-19 or other pandemic outbreak in the future, we may face various risks, including but not limited to: (i) decrease in demand for our products; (ii) temporary closure of our boutiques; (iii) disruption of the operations of our business partners; and (iv) increased volatility or disruption of global capital market, which may adversely affect our ability to raise funds for our operation.

Our operations are also vulnerable to interruption and damage from natural disasters and other calamities. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes or extraordinary events were to occur in the future, our ability to operate our business could be seriously impaired, and therefore adversely affect our operations and financial conditions.

**Any breach of or failure to successfully implement our environmental, health and safety ("EHS") policies could have a material adverse effect on our business and growth prospects.**

As consumers are paying increasing attention to corporate social responsibility matters, conducting our business in a responsible and sustainable way is important to our brand and reputation. While we have implemented policies relating to environmental, workplace health and safety matters and have adopted a number of initiatives to reduce our environmental footprint, we cannot assure you that these policies will not be breached or will continue to be effective. If we fail to implement our EHS policies effectively or update these policies to reflect the latest social and environmental developments, our brand image and reputation could be damaged, which will negatively impact our business, financial condition and results of operations.

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## RISK FACTORS

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### RISKS RELATING TO OUR FINANCIAL POSITION

**Failure to recover a significant portion of our trade receivables in a timely manner may have a materially adverse effect on our business and financial results.**

As of December 31, 2021, 2022 and 2023, we had trade receivables of RMB104.4 million, RMB100.3 million and RMB376.3 million, respectively. Substantially all of our customers are individual customers. And we do not grant any credit period to our individual customers. However, as certain of our boutiques are operated in cooperation with shopping malls, customers' payments to these boutiques are typically collected by the shopping malls first and then transferred to us after deducting the relevant charges by these shopping malls. We generally settle with these shopping malls on a monthly basis. Certain shopping malls may default on their payment to us as a result of deteriorating financial condition or liquidity issue. We cannot guarantee that we can always detect potential default by the shopping malls we cooperate with. If we cannot collect trade receivables on time, our liquidity, result of operation and financial condition may be adversely affected.

**We rely on short-term and long-term borrowings to fund our operations.**

We use external financing to support the growth and expansion of our business. As of December 31, 2023, our current liabilities included interest-bearing bank and other borrowings of RMB127.8 million. These borrowings are used mainly to finance our inventories and expand our boutiques. Although we have maintained good relationships with our banks that provide us with such financing and have not experienced any difficulties in repaying our borrowings, our ability to continue to obtain financing is subject to a variety of factors. Such factors include our future financial condition, operating results and cash flows, the regulatory approvals to obtain financing in the domestic or international markets, the general condition of global and domestic financial markets, and changes in monetary policies, interest rates and lending policies. We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on favorable terms, or at all. Our efforts to raise equity capital, if any, may result in the dilution of the shareholding of our existing Shareholders. If adequate funding is not available to us on favorable terms, or at all, we may not be able to finance our existing operations and develop or expand our business, and therefore our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We expect to incur additional capital expenditure and increase in depreciation and amortization expenses associated with the expansion of our boutique network.**

We plan to open ten new boutiques in mainland China and five new boutiques outside of mainland of China within the next three years. See “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus. Therefore, we expect to incur additional capital expenditure and increase in depreciation and amortization expenses in relation to the lease of premises, renovation and so forth, which could negatively affect our financial condition and results of operations. In addition, there is no guarantee that we could achieve profitability from opening and operation of new boutiques in the near term.

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## RISK FACTORS

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**Any discontinuation or reduction of the government grant would have a material and adverse impact on our business.**

During the Track Record Period, we recognized government grants as our other income of RMB4.5 million, RMB3.0 million, and RMB1.0 million in 2021, 2022 and 2023, respectively. Our government grants mainly represented the subsidies related to our operating activities and the previous listing attempts. As the determination and granting of such subsidies are subject to the discretion of the government and are non-recurring in nature, the receipt of such subsidies is varied from period to period. We cannot assure you that we will continue to receive government grants at the same level or at all, in which case our business, financial condition and result of operations may be materially and adversely affected.

**We had historical net cash flows used in operating activities.**

We had net cash flows used in operating activities of RMB29.2 million in 2023, which was primarily due to profit before tax of RMB553.5 million, as adjusted for certain non-cash and/or non-operating items, mainly including (i) depreciation of right-of-use assets of RMB91.4 million; (ii) depreciation of property, plant and equipment of RMB25.6 million; (iii) finance costs of RMB18.2 million; and (iv) negative changes in working capital. See “Financial Information – Cash Flows – Net Cash Flows From/Used in Operating Activities” in this prospectus. We cannot guarantee that we will not record net cash flows used in operating activities in the future. Any net cash flows used in operating activities will adversely affect our liquidity and our ability to further develop our business. We may need to resort to external financing in case of net cash flows used in operating activities, but we cannot ensure that we will be able to secure the sources of funds at commercially reasonable terms, or at all. If we cannot source sufficient financing to fund net cash flows used in operating activities, our business, results of operation and financial condition may be adversely affected.

**We may not be able to manage the growth of our business and operations and grow at a rate comparable to our growth rate in the past.**

We have experienced significant growth during the Track Record Period. Our revenue increased from RMB1,264.6 million in 2021 to RMB3,179.6 million in 2023, representing a CAGR of 58.6%. However, this growth trend reflects only our past performance and does not have any implication or may not necessarily reflect our financial performance in the future. The sustainability of our growth depends on a number of factors, many of which are beyond our control, including our ability to retain existing customers and attract new ones. In addition, the effects of changing economic, jewelry industry, competitive conditions and future expansion of our sales network, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that we can sustain the growth rate we achieved in the past. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

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## RISK FACTORS

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### **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.**

Substantially all of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and social conditions in the PRC. If the macro-economy condition experiences significant adverse changes due to any reason, demand for our products and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

**The interpretation and enforcement of PRC laws and regulations may change from time to time, which may subject us to non-compliance due to unexpected changes to laws and regulations applicable to us.**

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve, the interpretations and enforcement of many laws, regulations and rules are subject to changes from time to time.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have a certain degree of discretion within their scope of authority in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

**We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this Offering, future capital raising activities and future major events.**

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

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On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies’ securities by adopting a filing based regulatory regime. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Regulatory Overview — the PRC — Laws and Regulations Relating to Overseas Listing” in this prospectus. Since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures are subject to changes.

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, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund-raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and offering and listing of the Shares.

**Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.**

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering 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 terms of the proceeds from the Global Offering. 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.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China’s foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the Renminbi and other currencies in the future.



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To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

**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 H Shares.**

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. 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 regulatory 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 Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time 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. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

**Payment of dividends is subject to laws and regulations in regions where we operate.**

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. 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

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## RISK FACTORS

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given year are retained and available for distribution in subsequent years. In addition, we also have a subsidiary in Hong Kong and may establish more subsidiaries outside of mainland China in the future, and the distribution of dividends by our subsidiaries to our Company may also be subject to local laws and other restrictions.

### **Policies on foreign investment in the PRC may adversely affect our business and results of operations.**

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》, the “Negative List”) issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards.

### **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 income derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》, the “IIT Law”) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.



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As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China 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》, the “EIT Law”) and its implementation regulations, 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 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》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares has been reduced to 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region (the “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 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>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.

Despite the arrangements mentioned above, the PRC tax laws and regulations as well as the interpretation and application of such laws and regulations may change from time to time in the future which may adversely affect the value of your investment in our H Shares.

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**It may be difficult to effect service of process upon us or our Directors, Supervisor or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.**

All of our executive Directors, Supervisors and executive officers reside within China, and substantially all of our assets are located within China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or our executive Directors, Supervisors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts in China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of some other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, the Supreme People’s Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2019 Arrangement”), the commencement date of which shall be announced after the Supreme People’s Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect.

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**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》) (Hui Fa [2012] No. 7), 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 an overseas-listed company upon the completion of the Global Offering. 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.

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

Our business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. 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. 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.

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Our business operations are also subject to applicable fire safety laws in the PRC. In accordance with the Fire Prevention Law of the PRC (《中華人民共和國消防法》) adopted on April 29, 1998 and last amended and took effect on April 29, 2021, a special construction project as provided in the Interim Provisions on the Examination and Acceptance of Fire Control and Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) effective from June 1, 2020 shall be subject to fire protection design review before such project commence construction and shall be subject to fire protection inspection before such project was put into use. Other construction projects shall be subject to fire protection inspection recordation, and the competent department of housing and urban-rural development shall conduct a random fire protection inspection thereof. The constructor or user entity shall apply to the fire and rescue department of the local people's government at or above county level for a fire safety inspection before a public gathering place is put into use or opens for business.

Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and fire safety and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations, which may in turn adversely impact our business, financial conditions and results of operations.

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

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

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

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### RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the completion of the Global Offering, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the Global Offering. The Offer Price is the result of negotiations between our Company, the Sole Overall Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our H Shares will be traded following completion of the Global Offering. The market price of our H Shares may drop below the Offer Price at any time after completion of the Global Offering.

**The trading price of our H Shares may be volatile, which could result in substantial losses to you.**

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

**Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.**

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a

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## RISK FACTORS

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specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

**You will incur immediate and substantial dilution if the Offer Price of our H Shares is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of the Offer Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares 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.

**Certain facts and other statistics in this prospectus with respect to the markets in which we operate and the jewelry industries are derived from official government sources, documents, or statements, and may not be accurate, reliable, complete or up to date.**

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources, documents, or statements contained in this prospectus. Certain facts, forecasts and other statistics relating to the jewelry industries contained in this prospectus, particularly in "Industry Overview", have been derived from various public data sources and other independent third-party sources including Frost & Sullivan. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, information from official government sources, documents, or statements has not been independently verified by us or any of the Relevant Persons. Any facts, forecasts, and other statistics from such sources may not be prepared on a comparable basis or may not be consistent with other sources. Neither we nor the Relevant Persons are responsible for the accuracy, reliability or completeness of information from such official government sources, documents, or statements. For these reasons, you should not place undue reliance on such information as a basis for making your investment in the Shares. You should carefully consider the importance placed on such information or statistics.



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**The interests of the Company's Controlling Shareholders may conflict with the best interests of its other Shareholders.**

Immediately upon the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

**We have no experience operating as a public company, and we may incur increased costs as a result of becoming a listed company.**

We have no experience conducting our operations as a public company. As a result of the Listing on the Hong Kong Stock Exchange, 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 public 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 public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public 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.

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## RISK FACTORS

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. Investors of our H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. See “Forward-Looking Statements” in this prospectus.

**Investors should read the entire prospectus carefully before making an investment decision concerning our H Shares and should not rely on information from other sources, such as press articles, media or research coverage without carefully considering the risks and the other information in this prospectus.**

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media or research analyst coverage regarding us, our business, our industry and the Global Offering.

You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media or research analyst regarding the Shares, the Global Offering, our business, our industry or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.



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

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In preparation for the Global Offering, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

### **WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG**

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

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, 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:

- (a) we have appointed Mr. XU Rui (徐銳) and Ms. LI Ching Yi (李菁怡) as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (b) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. All of our Directors (including our independent non-executive Directors) will provide their contact information to the authorized representatives when they expect to travel or are out of office. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

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

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- (c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;
- (d) we have appointed Rainbow Capital (HK) Limited as our compliance advisor upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date 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 Listing Date. Our compliance advisor will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 3A.23 of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the authorized representatives are not available; and
- (e) meetings between the Hong Kong Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame.

### **WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong 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 further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” 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 laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (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.

Pursuant to Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification nor Relevant Experience (both as defined under paragraph 11 of Chapter 3.10 under the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) the proposed 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 a joint company secretary throughout the Waiver Period; and
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Ms. HE Jing (何靜) as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. LI Ching Yi, an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. HE Jing for an initial period of three years from the Listing Date to enable Ms. HE Jing to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Given Ms. LI Ching Yi's professional qualification and experience, she will be able to explain to both Ms. HE Jing and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. LI Ching Yi will also assist Ms. HE Jing in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. HE Jing is expected to work closely with Ms. LI Ching Yi and will maintain regular contact with Ms. LI Ching Yi. In addition, Ms. HE Jing will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. She will also be assisted by our compliance advisor and our legal advisors as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Ms. HE Jing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such Ms. HE Jing may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the Listing Date on the conditions that (a) Ms. HE Jing must be assisted by Ms. LI Ching Yi who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. LI Ching Yi ceases to provide assistance to Ms. HE Jing as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the end of the three-year period, our Company must demonstrate and seek for the Hong Kong Stock Exchange's confirmation that Ms. HE Jing, having had the benefits from Ms. LI Ching Yi's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the function of a company secretary, so that a waiver will not be necessary.

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

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

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

### **CSRC FILING**

We have submitted a filing to the CSRC to apply for the Global Offering and the conversion of Unlisted Shares into H Shares and listing of our H Shares on the Stock Exchange on November 14, 2023 and the CSRC accepted the filing on December 1, 2023. The CSRC published the notification on completion of filing procedures on March 25, 2024. No other approvals from the CSRC are required to be obtained for the listing of the H shares on the Stock Exchange.

### **THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,945,200 Offer Shares and the International Offering of initially 17,506,100 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed “Structure of the Global Offering” in this prospectus and any exercise of the Offer Size Adjustment Option and, in case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters pursuant to the terms of the International Underwriting Agreement which is expected to be entered into on or around Wednesday, June 26, 2024. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed “Underwriting” in this prospectus.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been

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

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authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering.

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

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering (including its conditions) and the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization, are set out in the sections headed “Structure of the Global Offering” and “Underwriting” in this prospectus.

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

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and the H Shares to be converted from Unlisted Shares.

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

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Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, June 28, 2024. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought as of the Latest Practicable Date.

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

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

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

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

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined under the Listing Rules) of any of the Directors, Supervisors or any existing Shareholders of our Company or a nominee of any of the foregoing.

### **H SHARE REGISTER AND STAMP DUTY**

All of the Offer Shares and the H Shares converted from Unlisted Shares will be registered on our register of members of H Share to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.



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

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Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.1135 to US\$1.00, being the PBOC rate prevailing on June 11, 2024, (ii) the translations between Hong Kong dollars and Renminbi were made at the rate of HK\$0.91059 to RMB1.00, being the PBOC rate prevailing on June 11, 2024, and (iii) the translations between Hong Kong dollars and U.S. dollars were made at the rate of HK\$7.81197 to US\$1.00, being the PBOC rate prevailing on June 11, 2024.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

### **LANGUAGE**

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

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed in any table, chart or elsewhere in this prospectus are due to rounding.



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

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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
Mr. XU Gaoming (徐高明)	No. 2-508, 4th Floor, Unit 2 A11 Jianguomen Inner Street Dongcheng District Beijing PRC	Chinese
Mr. FENG Jianjun (馮建軍)	No. 904, 9th Floor Building 104 West Lane Longwang Tongzhou District Beijing PRC	Chinese
Mr. XU Rui (徐銳)	No. S20-1 AVIC Jade Bay Economic and Technological Development Zone Tonghai Road Yueyanglou District Yueyang Hunan Province PRC	Chinese
Mr. JIANG Xia (蔣霞)	No. 2404, 24th Floor Building 104 West Lane Longwang Tongzhou District Beijing PRC	Chinese

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

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**Independent Non-executive Directors**

Mr. SUN Yijun (孫亦軍)	No. 601, 6th Floor, Unit 12 Tu'er Hutong, Jiaodaokou Dongcheng District Beijing PRC	Chinese
Dr. HE Yurun (何玉潤)	No. 26, Unit 3, 9th Floor No. 14 Zizhuyuan Road Haidian District Beijing PRC	Chinese
Mr. SEE Tak Wah (施德華)	19A, Block 2 17 Braemar Hill Road Hong Kong	Chinese

**SUPERVISORS**

Ms. PENG Lihua (彭柳華)	No. 404, Unit 6, Building 5, New World Home Dongcheng District Beijing PRC	Chinese
Ms. XIAO Yanhui (肖豔輝)	No. 102, Unit 4, Building 5 Central Unit North Lane Donghuashi Dongcheng District Beijing PRC	Chinese
Mr. SUI Wu (隋武)	No. 102, Unit 2, Building 2 Central Unit North Lane Donghuashi Dongcheng District Beijing PRC	Chinese

For details with respect to our Directors and Supervisors, please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus.

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

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**PARTIES INVOLVED IN THE GLOBAL OFFERING****Sole Sponsor**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Sponsor-Overall Coordinator and  
Sole Overall Coordinator**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Sole Global Coordinator**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Joint Bookrunners**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**CCB International Capital Limited**  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**BOCOM International Securities Limited**  
9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

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

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**Joint Lead Managers**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**CCB International Capital Limited**  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**BOCOM International Securities Limited**  
9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**Tiger Brokers (HK) Global Limited**  
1/F, No. 308 Des Voeux Road Central  
Sheung Wan  
Hong Kong

**Capital Market Intermediaries**

**China Securities (International)  
Corporate Finance Company Limited**  
18th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**CCB International Capital Limited**  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**BOCOM International Securities Limited**  
9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**Tiger Brokers (HK) Global Limited**  
1/F, No. 308 Des Voeux Road Central  
Sheung Wan  
Hong Kong

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

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**Legal Advisors to the Company**

*As to Hong Kong and U.S. laws:*

**O'Melveny & Myers**

31/F, AIA Central  
1 Connaught Road Central  
Hong Kong

*As to PRC law:*

**Global Law Office**

20/F Tower 1  
China Central Place  
No. 81 Jianguo Road  
Chaoyang District  
Beijing  
China

**Legal Advisors to the Sole Sponsor and Underwriters**

*As to Hong Kong and U.S. laws:*

**Linklaters**

11/F, Alexandra House  
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 100020  
PRC

**Auditors and Reporting Accountants**

**Ernst & Young**

*Certificated Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One TaiKoo Place  
979, King's Road  
Quarry Bay  
Hong Kong

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

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**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
2504 Wheelock Square  
1717, Nanjing West Road  
Shanghai 200040  
PRC

**Receiving Banks**

**Industrial and Commercial Bank of China (Asia) Limited**  
33/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

**China CITIC Bank International Limited**  
61-65 Des Voeux Road Central  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Rooms 3-6, 6/F No. 3 West Building The Towers at Oriental Plaza No. 1 Dong Chang'an Avenue Dongcheng District, Beijing PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	Rooms 3-6, 6/F No. 3 West Building The Towers at Oriental Plaza No. 1 Dong Chang'an Avenue Dongcheng District, Beijing PRC
<b>Principal Place of Business in Hong Kong</b>	19th Floor, Golden Centre 188 Des Voeux Road Central Hong Kong
<b>Company Website</b>	<b><u><a href="http://www.lphj.com">www.lphj.com</a></u></b> <i>(Information contained on this website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Ms. HE Jing (何靜) No. 201, Unit 2, Building 31, Second District, West Lane Yuquan, Shijingshan District, Beijing, PRC  Ms. LI Ching Yi (李菁怡) (ACG HKACG) 19/F, Golden Centre 188 Des Voeux Road Central Hong Kong
<b>Authorized Representatives</b>	Mr. XU Rui (徐銳) No. S20-1, AVIC Jade Bay, Economic and Technological Development Zone, Tonghai Road, Yueyanglou District, Yueyang, Hunan Province, PRC  Ms. LI Ching Yi (李菁怡) (ACG HKACG) 19/F, Golden Centre 188 Des Voeux Road Central Hong Kong



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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Dr. HE Yurun ( <i>Chairperson</i> ) Mr. SEE Tak Wah Mr. SUN Yijun
<b>Remuneration and Appraisal Committee</b>	Mr. SEE Tak Wah ( <i>Chairperson</i> ) Mr. FENG Jianjun Dr. HE Yurun
<b>Nomination Committee</b>	Mr. SUN Yijun ( <i>Chairperson</i> ) Mr. XU Gaoming Dr. HE Yurun
<b>Strategy Committee</b>	Mr. XU Gaoming ( <i>Chairperson</i> ) Mr. FENG Jianjun Mr. XU Rui
<b>Compliance Advisor</b>	<b>Rainbow Capital (HK) Limited</b> Office No. 710, 7/F Wing On House 71 Des Voeux Road Central Central Hong Kong
<b>H Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
<b>Principal Banks</b>	<b>Industrial and Commercial Bank of China, Beijing Xindongan Branch</b> 1/F 138 Wangfujing Street Dongcheng District Beijing China

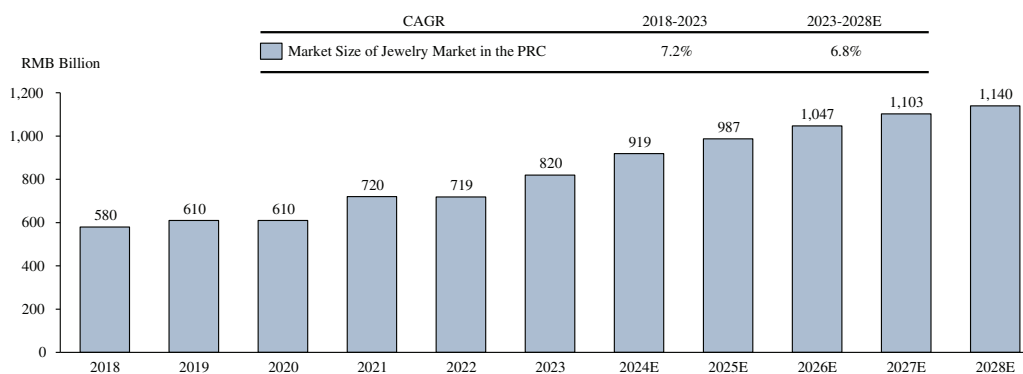
## INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this prospectus were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the Global Offering. 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. Information and statistics from official government sources, documents, or statements have not been independently verified by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Underwriters, or any of their respective directors, advisers and affiliates, or any other person or parties involved in the Global Offering, and no representation is given as to their accuracy. For a discussion of the risks relating to our industry, see “Risk Factors” in this prospectus.*

### OVERVIEW OF JEWELRY MARKET IN THE PRC

Jewelry is a precious natural or artificial material processed for wearing and/or decoration. Jewelry may be appreciated for its material properties, patterns, or meaningful symbols. 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%, mainly due to the growing purchasing power and diversified demand for daily wear. Looking forward, due to the growing purchasing power of PRC citizens, 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 the end of 2028.

#### Market Size of Jewelry Market in the PRC, by Sales Revenue, 2018-2028E

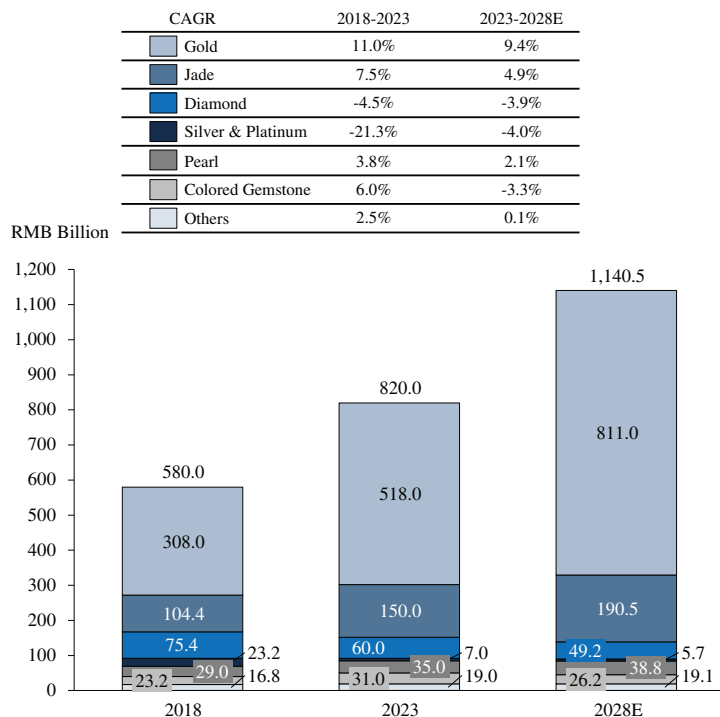


Source: Gems & Jewelry Trade Association of China, Frost & Sullivan

## INDUSTRY OVERVIEW

By material, jewelry can be classified into gold jewelry, jade jewelry, diamond jewelry, silver & platinum jewelry, coloured gemstone jewelry, pearl jewelry, and others. The chart below sets forth the historical and forecasted market size of jewelry market in the PRC, by material, for the periods indicated.

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



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

Gold has been popular for several thousand years in China because of its auspicious meaning of family prosperity. Further, the nature of gold as a precious metal also makes gold jewelry of investment value. Gold jewelry has taken up the largest proportion of 63.2% in the Chinese jewelry market in 2023 due to its enduring cultural significance. The sales revenue of the gold jewelry market in 2023 was RMB518.0 billion, accounting for 63.2% of the jewelry market, and is forecasted to reach RMB811.0 billion in 2028, growing at a CAGR of 9.4%. It is expected that gold jewelry will continue to be the most popular jewelry category among Chinese consumers in foreseeable future.

## INDUSTRY OVERVIEW

### GOLD JEWELRY MARKET IN THE PRC

#### Introduction

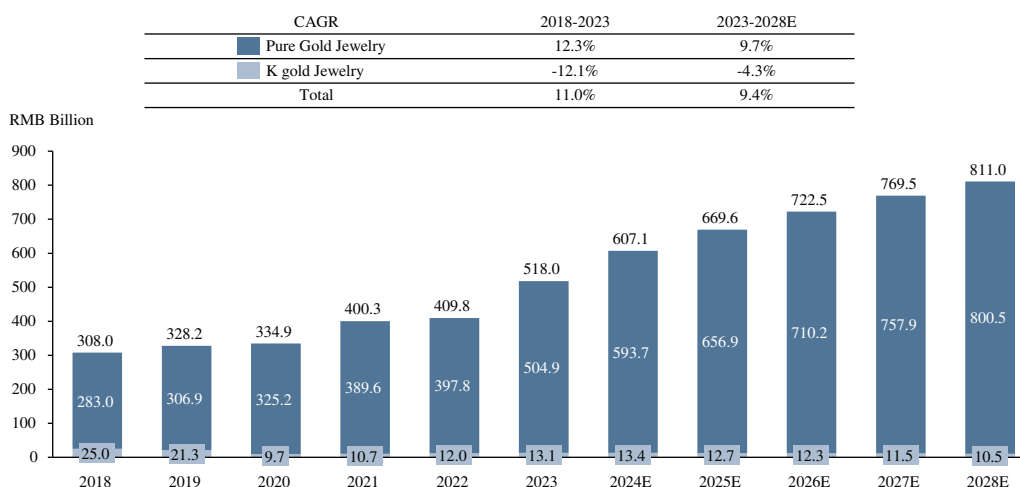
Gold jewelry uses gold as its main raw material. The market size of gold jewelry in terms of sales revenue experienced an overall growth from RMB308.0 billion in 2018 to RMB518.0 billion in 2023, achieving a CAGR of 11.0%. The outbreak of the COVID-19 pandemic in 2020 and the subsequent control measures hindered the offline sales growth since 2020. Looking forward, due to the consumption upgrading and the rising of younger consumer group, the gold jewelry market is expected to continue to grow and reach RMB811.0 billion in 2028 with a CAGR of 9.4%.

#### Pure Gold Jewelry

In terms of gold purity level, gold jewelry can be categorized into pure gold (with gold purity level of 99.0% and above) and K gold (typically referring to alloy made from a mixture of gold and other metals, in which the gold content equals to or is lower than 22K (91.6%) or even 18K (75.0%)). The pure gold jewelry market size in 2023 was RMB504.9 billion, accounting for 97.5% of the gold jewelry market. With the consumption upgrading and the increasing demand for high-quality gold jewelry products, the pure gold jewelry market size is expected to further grow to RMB800.5 billion in 2028, accounting for 98.7% of the gold jewelry market with a CAGR of 9.7%.

The chart below sets forth the historical and forecasted market size of gold jewelry market in the PRC, by gold purity level, for the periods indicated.

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



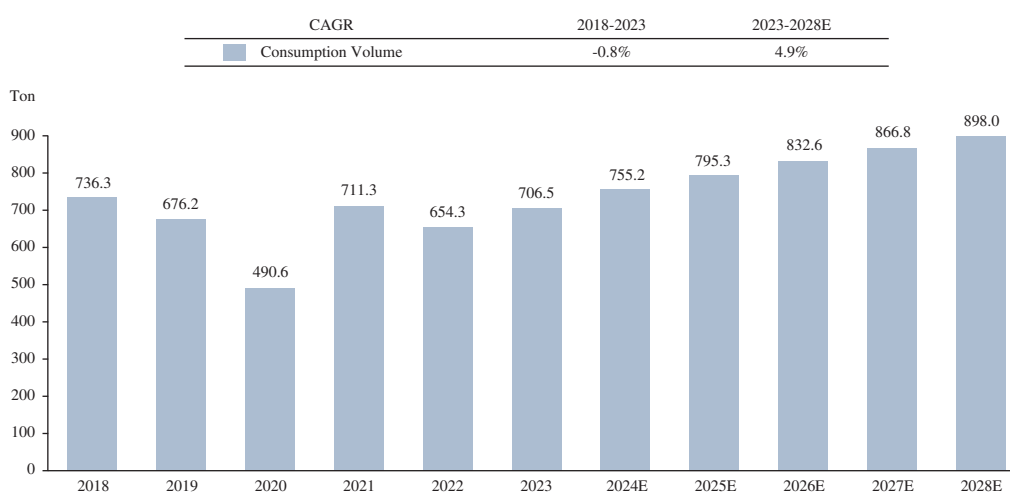
Source: Gems & Jewelry Trade Association of China, China Gold Association, Frost & Sullivan

## INDUSTRY OVERVIEW

The consumption volume of gold jewelry in the PRC showed a fluctuating trend from 736.3 tons in 2018 to 706.5 tons in 2023, with a CAGR of -0.8% during the period from 2018 to 2023, primarily due to the widespread impact of the pandemic in 2020 and 2022. Additionally, economic downturn pressures contributed to overall consumption weakness, which in turn leads to a decline in consumption volume in 2019. Considering consumers' increasing preference for gold jewelry, the consumption volume of gold jewelry is expected to grow steadily, reaching 898.0 tons by 2028, with a CAGR of 4.9% from 2023 to 2028.

The chart below sets forth the historical and forecasted consumption volume of gold jewelry in the PRC, for the periods indicated.

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



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

### Gold Jewelry Processing Techniques

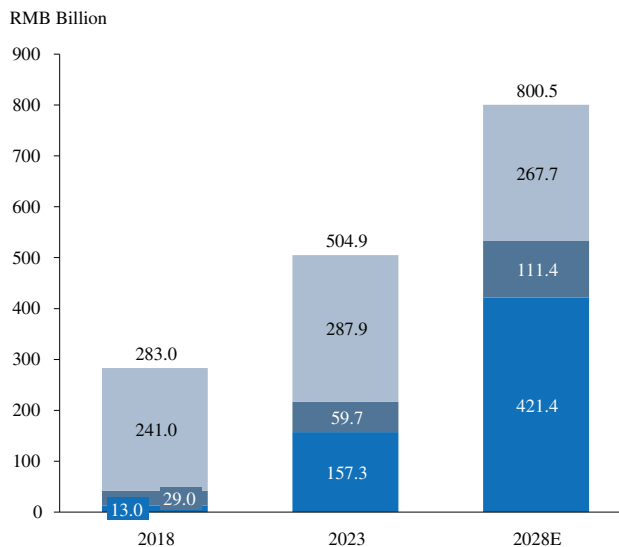
Pure gold jewelry, by processing techniques, can be categorized into heritage gold jewelry, hard gold jewelry and regular gold jewelry. Heritage gold jewelry is pure gold featuring cultural designs and processed by special traditional Chinese techniques including hammering (錘揲), carving (鑿刻), hollowing (鏤空), filigree (花絲), embedding (鑲嵌), and heat treatment of enamels (燒藍). The production of heritage gold jewelry is usually more expensive and time-consuming than regular gold jewelry since all heritage gold jewelry require manual work and certain processing steps require the manual work of skilled craftsmen. Hard gold jewelry, featuring highly resistant and lightweight, is mainly produced in the electroforming mode, which can improve the hardness and wear resistance of gold by improving the gold content, pH value, working temperature, organic light agent content, and stirring speed in the electroforming solution. Regular gold jewelry is pure gold processed by regular processing techniques including stamping techniques (沖壓), embossing techniques (車花), polishing techniques (拋光) and so forth. These techniques nowadays can be entirely performed by automatic machines. Regular gold jewelry is usually easy to deform and of homogeneous product types.

## INDUSTRY OVERVIEW

The chart below sets forth the historical and forecasted market size of pure gold jewelry market in the PRC, by processing techniques, for the periods indicated.

### Market Size of Pure Gold Jewelry Market in the PRC, Breakdown by Processing Technique, by Sales Revenue, 2018-2028E

	CAGR	2018-2023	2023-2028E
Regular Gold Jewelry		3.6%	-1.4%
Hard Gold Jewelry		15.5%	13.3%
Heritage Gold Jewelry		64.6%	21.8%



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

## HERITAGE GOLD JEWELRY MARKET IN THE PRC

### Introduction

Heritage gold jewelry refers to a type of pure gold jewelry that combines modern designs and classic Chinese culture, features matte (啞光), sandy (磨砂) or other texture of ancient royal jewelry, and applies at least two Chinese traditional handmade gold crafting techniques as specified in the group standards for “Heritage Gold Artifact” (《古法金飾品》團體標準) published by the China Gold Association (the “**Group Standards**”). The China Gold Association was established under the joint approval of the former State Economy and Trade Committee and the Ministry of Civil Affairs in 2001. According to Frost & Sullivan, it is the only nation-wide corporative organization in the gold industry in China, widely recognized by market players. Moreover, as confirmed by Frost & Sullivan, most of its members are well-known industry participants, ranging from enterprises of gold exploration, operation, processing, logistics, and investment, to research institutes, as well as other institutions related to the gold industry. The Group Standards were drafted by 17 market players in the gold jewelry industry in China. Although there is no legally enforced consequences for violating the Group Standards, they have received wide recognition within the industry, and are instructive since publication, according to Frost & Sullivan. According to the Group Standards, techniques

## INDUSTRY OVERVIEW

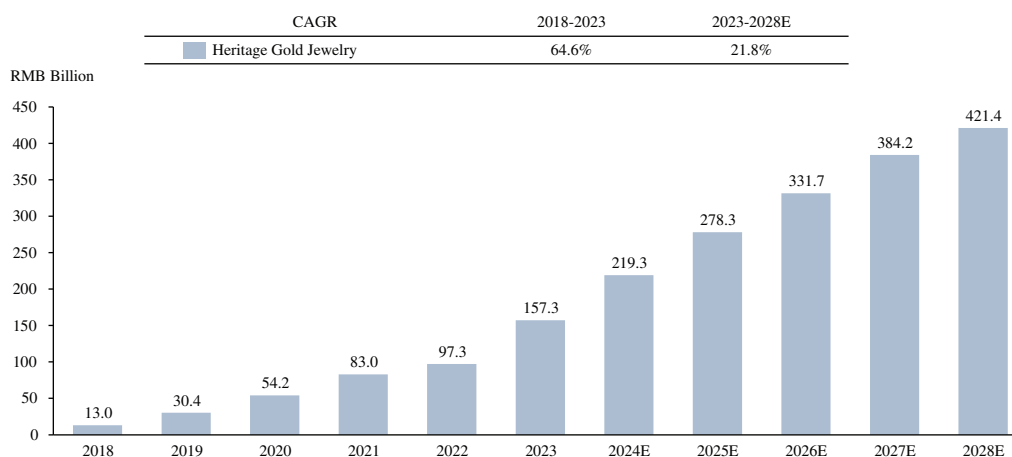
used for crafting heritage gold jewelry mainly include hammering (錘揲), carving (鑿刻), hollowing (鏤空), filigree (花絲), embedding (鑲嵌), and heat treatment of enamels (燒藍). Consumers can easily tell and identify whether a gold jewelry product is truly made with these techniques by observing the appearance of such product.

Laopu Gold was the first brand in China to promote the concept of heritage gold jewelry and one of the earliest to engage in brand-oriented operations for traditional handmade gold jewelry. Since Laopu Gold promoted the concept in 2009, heritage gold jewelry has started a prevailing fashion wind in the jewelry market with its exquisite appearance, auspicious meaning and cultural contents.

With the enhancement of techniques, heritage gold jewelry with embedded diamonds and gemstones emerged and gradually gained popularity in the market. Pure gold inlay processing usually requires sophisticated craftsmanship because the greater the gold purity level, the softer the gold, and the easier it is to scratch or bend the gold during the inlay process. Meanwhile, unprofessional craftsmanship may cause the inlaid jewelry to be squeezed and deformed, so the gemstone may loosen and fall off. Currently, the majority of inlay products on the market are K gold inlay products because the durability of K gold has simplified the inlay process. Laopu Gold is the first in the market to develop pure gold inlay items, setting trends in the gold jewelry business, according to Frost & Sullivan.

The chart below sets forth the historical and forecasted market size of heritage gold jewelry in the PRC for the periods indicated.

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



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



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## INDUSTRY OVERVIEW

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The market size of heritage gold jewelry in terms of sales revenue experienced a sharp growth from RMB13.0 billion in 2018 to RMB157.3 billion in 2023, achieving a CAGR of 64.6%. Although hindered by the COVID-19 pandemic which had led to some temporary and regional shutdowns of offline gold jewelry retail stores in China in 2022, the growth of heritage gold jewelry market stayed positive in 2022, as such pandemic impact was offset by the robust growth of the market from 2017 to 2022, mainly driven by the increasing popularity of heritage gold jewelry among young generations, the upgrade of consumer preferences, and the fact that gold is often regarded as a safe-haven asset when facing uncertainty. Heritage gold jewelry with auspicious cultural meaning and aesthetic design has caught young customers' eyes in recent years. As the main consumer demographic shifts to the younger generation and consumer preferences upgrade, the heritage gold jewelry market is expected to continue to grow and reach RMB421.4 billion in 2028 with a CAGR of 21.8% from 2023 to 2028. The slowdown in the growth of the heritage gold jewelry market from 2023 to 2028, as compared to that from 2018 to 2023, was primarily because during the period from 2018 to 2023, the heritage gold jewelry market was at its early stages and the cardinal number of the market size was relatively small, and therefore had a stronger growth potential with a robust and faster growth rate; when the heritage gold jewelry market entered the mature stage and its market size reached a certain level in 2023, a large number of potential customers had already been reached, which is expected to result in a slowdown in the market growth rate from 2023 to 2028 but during the period, the absolute value of the market size is still expected to witness a robust growth.

In tier-one cities, the market size of heritage gold jewellery in tier-one cities increased from RMB5.1 billion in 2018 to RMB25.1 billion in 2023, representing a CAGR of 37.8% from 2018 to 2023, and is expected to reach RMB62.7 billion in 2028, at a CAGR of 20.1% from 2023 to 2028. The average per capita disposable income of tier-one cities was RMB80,999 in 2023, resulting in high purchasing power and consumption levels.

In new tier-one cities, the market size of heritage gold jewellery market grew at a CAGR of 72.0% from RMB2.3 billion in 2018 to RMB34.0 billion in 2023, and is expected to reach RMB98.7 billion in 2028, at a CAGR of 23.7% from 2023 to 2028. The average per capita disposable income of new tier-one cities was RMB55,921 in 2023, presenting a relatively high purchasing power of citizens with great growth potential. As the penetration rate of heritage gold jewelry continues to increase in the new tier-one cities, the market is forecasted to experience a fast growth in the future.

In the provincial capitals (excluding tier-one and new tier-one cities)\*, the market size of heritage gold jewelry market was approximately RMB13.9 billion in 2023 in the PRC. As the popularity of heritage gold jewelry increases in these cities, the market size is expected to reach RMB31.7 billion in 2028, at a CAGR of 17.9% from 2023 to 2028. Though high-end shopping malls in these cities are still rare, the heritage gold jewelry market still presents great

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\* Provincial capitals (excluding tier-one and new tier-one cities) include Shenyang, Shijiazhuang, Taiyuan, Changchun, Harbin, Fuzhou, Nanchang, Jinan, Haikou, Guiyang, Lanzhou, Xining, Huhehaote, Nanning, Lhasa, Yinchuan, and Urumqi.

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## INDUSTRY OVERVIEW

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growth potential in the future since the provincial capitals are the political and economic center of the whole province, with strong economic strength and potential purchasing power. The average per capita disposable income of these provincial capitals was RMB41,585 in 2023, higher than the national average of RMB39,218. Moreover, the number of major competitors of heritage gold jewelry brands in high-end shopping malls in provincial capital cities are relatively limited so far, which provides large room and space for new entrants in these cities.

### **Market Trend and Drivers of Heritage Gold Jewelry Market**

***Younger consumption groups:*** Heritage gold jewelry meets both the aesthetic and value preservation demands of young people aged 20-30. Heritage gold jewelry has started a prevailing fashion wind in the jewelry market with its exquisite appearance, auspicious meaning, and cultural contents, and such features are particularly attractive to younger consumption groups. The young generation will gradually become the main consumption group of heritage gold jewelry in the future.

***More diversified and personalized jewelry products:*** Chinese consumers are pursuing more diversified and personalized jewelry. Jewelry products with novel models and unique cultural connotations will be more popular among consumers. In the future, jewelry brands will continue to innovate and create product differentiation to win the favour of the whole market. Moreover, the demand of customized heritage gold jewelry is also surging among the high net worth population since the craftsmanship of heritage gold jewelry allows for more delicate designs, which can precisely satisfy customers' self-expression needs and realize inner feelings through creative designs.

***Integration of gold and other precious material:*** With the improvement of technologies, gold jewelry brands will continuously innovate more heritage gold products integrated with other precious materials, such as diamonds, turquoises, pearls, and coloured gemstones. For instance, heritage gold jewelry with embedded diamonds combines traditional and modern aesthetics, making it a hit once the products were launched in the market. More innovations and attempts at material combination will be proposed in the future with continuous technology enhancement.

***Growing popularity of "China Chic":*** In recent years, with the rising popularity of "China Chic" among young people, more and more young generations are paying attention to traditional Chinese brands. Heritage gold jewelry is well-designed with abundant cultural contents and delicate craftsmanship, which has been considered as one of the representatives of Chinese traditional culture. Heritage gold jewelry brands are winning the Chinese jewelry market, where foreign jewelry brands reigned unchallenged for a long time. With the surge in young consumers' interest in domestic brands and products that incorporate Chinese traditional crafts and culture, the heritage gold jewelry market is expected to grow.

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## INDUSTRY OVERVIEW

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### Opportunities and Challenges of Heritage Gold Jewelry Industry

With the consumption upgrading and the increasing demand for high-quality, diversified, personalized gold jewelry products from consumers, the heritage gold jewelry market is expected to grow rapidly. In addition, with the popularization of the Internet and the increasing acceptance of online shopping by consumers, jewelry companies are also actively expanding their online sales and promotion channels, bringing more opportunities to the heritage gold jewelry market.

However, the competition in the gold jewelry market is fierce. Gold jewelry brands need to continuously improve product quality and service levels to attract and retain consumers. Gold jewelry brands need to build brand images and create connections between brands and targeted customers. In addition, the homogenization of design, production, and marketing has begun to emerge in the heritage gold jewelry market. Gold jewelry brands need to constantly follow up on new technologies and innovate new product formats to meet consumers' demands for high-quality and personalized products and establish brand barriers.

### COMPETITIVE LANDSCAPE

In the heritage gold jewelry market, Laopu Gold took up a share of 2.0% in terms of revenue from the sale of heritage gold jewelry in 2023. The market size of heritage gold jewelry in the PRC was RMB157.3 billion in 2023. The aggregate revenue of heritage gold jewelry products generated from the top five gold jewelry brands was approximately RMB72.4 billion with a share of 46.1% in the entire market. In terms of revenue, Laopu Gold ranked seventh in the heritage gold jewelry market in the PRC. Among the top ten players in heritage gold jewelry market, Laopu Gold is the only brand that focuses on heritage gold jewelry products and one of the only three brands that adopt a self-operation model for all offline stores.

The following table sets forth respective estimated revenue generated from sales of heritage gold jewelry products and market share of each of such top five heritage gold jewelry brands as well as Laopu Gold in 2023:

#### Top Five Heritage Gold Jewelry Brands in terms of Revenue from Sales of Heritage Gold Jewelry in the PRC in 2023

<u>Ranking</u>	<u>Company</u>	<u>Estimated Heritage Gold Jewelry Revenue</u>	<u>Market Share</u>
		<i>(RMB billion)</i>	<i>(%)</i>
1. . . . .	Company A <sup>(1)</sup>	31.0	19.7
2. . . . .	Company B <sup>(2)</sup>	17.3	11.0
3. . . . .	Company C <sup>(3)</sup>	9.1	5.8
4. . . . .	Company D <sup>(4)</sup>	8.6	5.7

## INDUSTRY OVERVIEW

Ranking	Company	Estimated Heritage Gold Jewelry Revenue	Market Share
		(RMB billion)	(%)
5. . . . .	Company E <sup>(5)</sup>	6.1	3.9
	<b>Subtotal</b>	<b>72.4</b>	<b>46.1</b>
7. . . . .	Laopu Gold	3.2	2.0

Source: Annual Reports of Listed Companies, Frost & Sullivan

*Notes:*

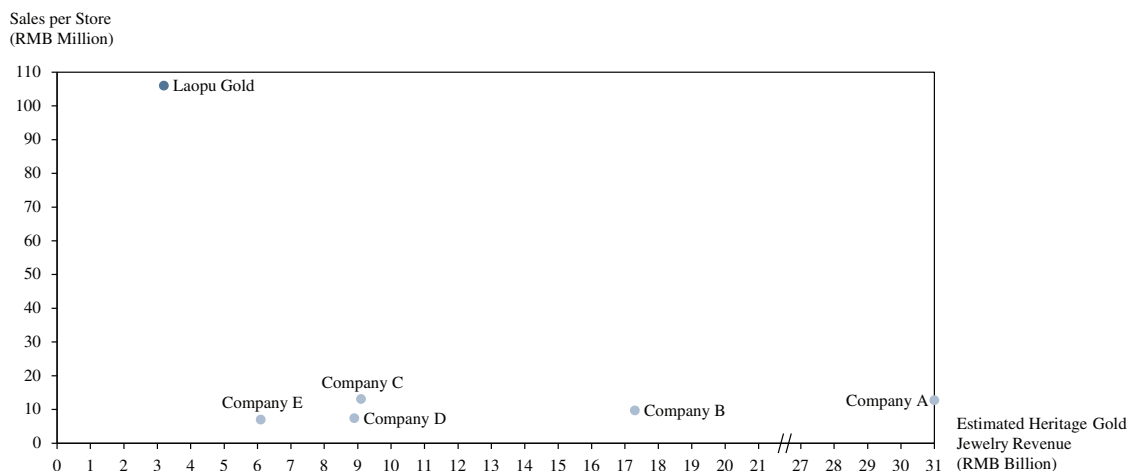
- (1) Company A is a jewelry brand in the PRC established in 1929 with 7,655 offline stores in 2022. It mainly engages in the sale of gem-set jewelry, platinum/karat gold products, gold products, and watches. It is a listed company on Hong Kong Stock Exchange, and its total revenue was estimated RMB105.5 billion in 2023.
- (2) Established in 1848, Company B is one of the Chinese time-honored brands in the PRC with 5,994 offline stores in 2023. It mainly engages in the jewelry and gold business, stationery and art craft. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB71.4 billion in 2023 according to its annual report.
- (3) Company C is a gold jewelry company in the PRC established in 2010 with 4,257 offline stores in 2023. It mainly engages in the sales of gold jewelry and processing of gold bullion. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB56.4 billion in 2023 according to its annual report.
- (4) Company D is a comprehensive group in the PRC established in 1987 with 4,994 offline stores in 2023. It mainly engages in the business of jewelry and fashion, food and beverage, beauty and health, watches, department stores, etc. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB58.1 billion in 2023 according to its annual report.
- (5) Company E is one of the gold jewelry brands in the PRC established in 2000 with 2,852 offline stores in 2023. It mainly engages in the processing, retailing, and recycling of gold jewelry products. It is a non-listed company.

In the gold jewelry market, Laopu Gold ranked first in terms of single-store sales in each of 2022 and 2023 among major gold jewelry brands in China. The market size of gold jewelry in the PRC was RMB518.0 billion in 2023. Laopu Gold took up a share of 0.6% in the gold jewelry market in the PRC in 2023.

## INDUSTRY OVERVIEW

Although the competition of heritage gold jewelry market is fierce, Laopu Gold excels in brand positioning, product themes, and sales network by implementing a differentiated business strategy. The diagram below showcases the competitive landscape of the top five heritage gold jewelry brands in terms of revenue from the sales of heritage gold jewelry in the PRC in 2023 and the distinctive market position of Laopu Gold:

### Competitive Layout of Laopu Gold and the Top Five Heritage Gold Jewelry Brands in Terms of Revenue from the Sales of Heritage Gold Jewelry in the PRC (2023)



Source: Annual Reports of Listed Companies, Frost & Sullivan

*Notes:*

- (1) The single-store sales is the total jewelry revenue of the company divided by the number of jewelry stores. As compared to Company A, B, C, D and E, Laopu Gold had exceptionally high single-store sales, primarily because it achieved outstanding sales performance with far less retail stores compared to its peers, given that the Company adopted a fully self-operation business model and mainly operated retail stores in high-end shopping malls and/or local reputable commercial centers in top-tier cities where the customers have higher spending power, while its peers opened retail stores in a number far exceeding the Company's, comprising both self-operated stores and franchise stores in both top-tier cities and lower-tier cities, even including tier-three and tier-four cities.
- (2) Company A is a jewelry brand in the PRC established in 1929 with 7,885 offline stores in 2023. It mainly engages in the sale of gem-set jewelry, platinum/karat gold products, gold products, and watches. It is a listed company on Hong Kong Stock Exchange, and its total revenue was estimated RMB105.5 billion in 2023.
- (3) Established in 1848, Company B is one of the Chinese time-honoured brands in the PRC with 5,994 offline stores in 2023. It mainly engages in the jewelry and gold business, stationery and art craft. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB71.4 billion in 2023 according to its annual report.
- (4) Company C is a gold jewelry company in the PRC established in 2010 with 4,257 offline stores in 2023. It mainly engages in the sales of gold jewelry and processing of gold bullion. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB56.4 billion in 2023 according to its annual report.
- (5) Company D is a comprehensive group in the PRC established in 1987 with 4,994 offline stores in 2023. It mainly engages in the business of jewelry and fashion, food and beverage, beauty and health, watches, department stores, etc. It is a listed company on Shanghai Stock Exchange, and its total revenue was RMB58.1 billion in 2023 according to its annual report.

## INDUSTRY OVERVIEW

- (6) Company E is one of the gold jewelry brands in the PRC established in 2000 with 2,852 offline stores in 2023. It mainly engages in the processing, retailing, and recycling of gold jewelry products. It is a non-listed company.
- (7) Company A, B, C, D, and E were the top five players in heritage gold jewelry market in terms of heritage gold jewelry revenue in 2022 in China. The market share of Company A, B, C, D and E in terms of revenue from sales of heritage gold jewelry in the PRC in 2023 was 19.7%, 11.0%, 5.8%, 5.7%, and 3.9% respectively.

In addition, the location of stores is vital to brand positioning. The coverage rate of Laopu Gold in the top ten high-end shopping malls in the PRC was 80% as of April 2024, ranked first among Chinese gold jewelry brands. The chart below provides an overview of coverage rate of key jewelry brands in the top ten high-end shopping malls in the PRC:

Jewelry Brands		Coverage Rate of Key Jewelry brands in Top Ten High-end Shopping Malls in the PRC as of April 2024
1	BVLGARI	100%
2	Cartier, Van Cleef & Arpels, Fred	90%
3	Laopu Gold, CHOW TAI FOOK, Tiffany, Chaumet	80%
4	CHOW SANG SANG	70%
5	Qeelin, Hefang Jewelry, Boucheron, APM Monaco	60%

Source: Public Data, Frost & Sullivan

Note:

- \* A shopping mall is considered “high-end” if it meets the required premium luxury brands matrix, that is, the specific shopping mall has at least three brands of the top five luxury fashion brands, which were obtained by combining multiple luxury brand ranking lists, including the *Top 10 Most Popular Luxury Brands Online in 2023* published by Forbes (an American business magazine focusing on business, investing, technology, entrepreneurship, leadership, and lifestyle), the *Most Popular Luxury Brands Online* published by LUXE digital (a digital magazine focusing on luxury fashion, travel, culture, and business), and *LUXURY & PREMIUM 2023 RANKING* published by Brand Finance (a brand valuation and strategy consultancy that publishes global brand rankings each year in various sectors). Top ten high-end shopping malls in the PRC are Beijing SKP, Nanjing Deji Plaza, Beijing China World Mall, Shanghai IFC Mall, Shanghai Hang Lung Plaza, Hangzhou Tower, Hangzhou MixC Mall, Xi’an SKP, Guangzhou TaiKoo Hui, and Chengdu IFS, according to Frost & Sullivan.

The tables below set forth the top three gold jewelry brands’ presence in high-end shopping malls as of April 2024 in tier-one cities and new tier one cities, respectively:

Gold Jewelry Brands		Coverage rate of high-end shopping malls in tier-one cities
1 . . .	CHOW TAI FOOK/CHOW SANG SANG	100%
2 . . .	Laopu Gold	50%
3 . . .	Caibai	25%

## INDUSTRY OVERVIEW

	Gold Jewelry Brands	Coverage rate of high-end shopping malls in new tier-one cities
1 . . .	CHOW TAI FOOK	66.7%
2 . . .	CHOW SANG SANG	60.0%
3 . . .	Laopu Gold	33.3%

*Source: Public information and official websites of each brand, Frost & Sullivan.*

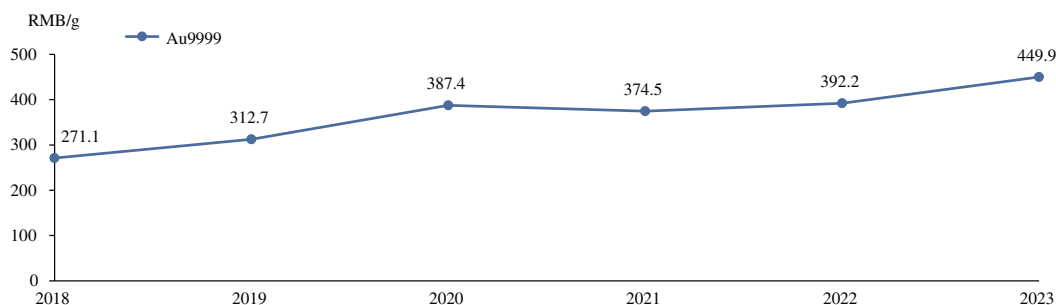
*Note:*

\* Coverage rate of high-end shopping malls in the relevant tier of cities is the number of cities the brand has covered in the high-end shopping mall divided by the total number of cities in that tier. For instance, in tier-one cities, Laopu Gold has presence in Beijing and Shanghai's high-end shopping mall, and the coverage rate is two cities divided by the total number of tier-one cities (four), which is 50%.

## PRICE TRENDS OF MAJOR RAW MATERIALS

The finest gold traded on the Shanghai Gold Exchange (Au9999) and diamonds are major raw materials of Laopu Gold's products.

### Price Trends of Gold (Au9999) in the PRC



*Source: Shanghai Gold Exchange, Frost & Sullivan*

The gold price in the PRC is positively correlated with the international gold price, and most of the gold prices at international markets are USD-dominated. The gold price in the PRC is higher than the international gold price because the domestic market is in supply shortage and thus imports a large amount of gold, which adds the cost of physical delivery, warehousing, local taxation, conversion of local currency to USD, etc., to the spot price. The growth of products selling price of Laopu Gold is generally in line with upward trend of gold price in the PRC.

The average annual spot price for Au9999 in the PRC experienced a general upward trend, which increased 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 environment, the strong demand for gold, particularly with the jewelry industry. Especially in 2020, due to the outbreak of COVID-19, the international economic environment was faced with much uncertainty. As a

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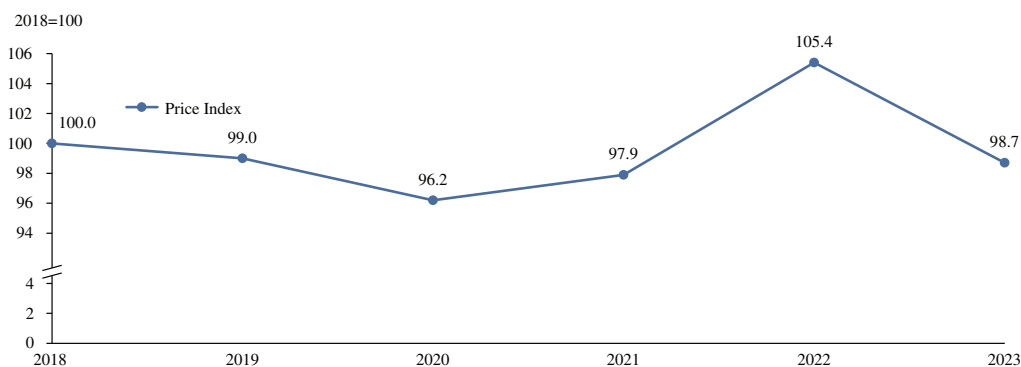
## INDUSTRY OVERVIEW

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safe-haven asset, gold was welcomed by investors. Furthermore, the geopolitical conflict and the rising inflation have pushed up demand for gold to hedge risks, and the spot price hit a record high of RMB449.9/g in 2023.

For gold jewelry companies, the rise in gold price indicates that the inventory value of a gold jewelry company rises accordingly. In addition, the continuous rise in the gold price will motivate consumers' investment enthusiasm, promoting the demand for gold jewelry products. Driven by customers' "buy on the upside" philosophy for gold, the demand for gold jewelry is likely to increase with the rising gold price.

### Price Index of Global Diamonds, 2018-2023



Source: *Diamond Search Engine, Frost & Sullivan*

Most of the raw diamonds are mined in Russia, Australia, Canada, South Africa, etc. Affected by the Russia-Ukraine War, Russia, one of the world's largest diamond exporting countries, was sanctioned by the United States and Europe, resulting in a shortage of global diamond supply since the first quarter of 2022. Although diamond prices have increased since short-term shortage, the diamond prices went down in 2023 is due to the rapid development of the lab-grown diamonds (LGD), which can be massively produced and sell at a lower price.

### HERITAGE GOLD JEWELRY MARKET IN HONG KONG AND MACAU

In Hong Kong and Macau, there's a deep-rooted cultural appreciation for traditional gold jewelry. This affinity is not merely for its aesthetic value but also for its symbolic significance. Gold jewelry is often regarded as a symbol of wealth, prosperity, and good fortune, making it highly valued in the local culture. Besides, tourists, particularly from the PRC, are a crucial driver for the heritage gold jewelry market in Hong Kong and Macau as the pricing of heritage gold jewelry in Hong Kong and Macau is more favorable compared to the PRC. In Hong Kong and Macau, the leading heritage gold jewelry brands are Chow Tai Fook, Luk Fook, and Chow Sang Sang. Both heritage gold jewelry markets in Hong Kong and Macau are relatively concentrated due to local advantages and accumulated good reputation of local brands. The size of heritage gold jewelry market is HKD13.9 billion and HKD4.5 billion in Hong Kong and Macau in 2023, and is expected to grow with a CAGR of 16.0% and 19.3% from 2023 to 2028, respectively.



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## INDUSTRY OVERVIEW

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### HERITAGE GOLD JEWELRY MARKET IN SINGAPORE

Given that the majority of Singapore's people are ethnically Chinese, Singapore's fashion trends are profoundly influenced by Chinese market. With the popularity of heritage gold jewelry in China, Singaporean consumers have also begun to pay attention to this exquisite and culturally rich gold jewelry product influenced by the widespread dissemination of Internet platforms. Besides, due to the high quality, elegant design, and exquisite traditional Chinese craftsmanship of heritage gold, major gold jewelry companies in Singapore have successively launched the heritage gold product series in recent years to attract consumers. The heritage gold jewelry market in Singapore is relatively concentrated with leading gold jewelry brands, including SK Jewelry, Chow Tai Fook, and POH HENG Jewelry. The heritage gold jewelry market in Singapore has been emerging in recent years, with a market size of USD85.8 million in 2023, and it is expected to grow with a CAGR of 23.4% from 2023 to 2028.

### HERITAGE GOLD JEWELRY MARKET IN TOKYO

The heritage gold jewelry market is also emerging in other Asian cities such as Tokyo, with a fast-developing economy and local residents' favor of exquisite gold jewelry, along with the fast expansion of China's gold jewelry brands in such city.

Japan has similar cultural customs to China. In 2023, approximately 8.7 million Chinese tourists visited Japan, making up approximately 34.5% of all foreign tourists in Japan. The heritage gold jewelry originating from China is in its early stages of development in Japan. The market size of heritage gold jewelry in Tokyo was USD5.6 million in 2023, and it is expected to reach USD11.0 million in 2028, at a CAGR of 14.5% from 2023 to 2028. Heritage gold jewelry is renowned for its exquisite craftsmanship and rich cultural connotations, and currently, the main player in the heritage gold jewelry market in Tokyo is Chow Tai Fook.

### ENTRY BARRIERS OF HERITAGE GOLD JEWELRY MARKET

**Brand barriers:** Brand awareness and brand scale are the assurance of consumers' confidence in product quality and related services, especially for heritage gold jewelry brands. Strong brand images usually represent recognition from customers. However, the formation of brand image and awareness results from long-term shaping, management, and investment of gold jewelry companies. It is a great challenge for new entrants in the industry to form a brand image in a short time.

**Product design barriers:** Chinese consumers nowadays attach great importance to heritage gold jewelry products' quality, design, and cultural connotation. The gold jewelry company's ability to have instant insight into what is trendy in the market and launch a new product line is crucial, which depends on a strong design team and efficient product design and production system. However, building a professional design team takes time, and the classic design of top gold jewelry brands has taken root in public, making it difficult for a start-up to launch well-recognized products shortly.

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## INDUSTRY OVERVIEW

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***Sales channels barriers:*** Building a complete sales network is time-consuming and requires a lot of resources and an experienced management team to form and maintain a long-term stable and reliable cooperation at all levels. For luxury brands, grabbing high net-worth clients in top shopping malls is crucial, which often have high entry barriers. However, the build-up of sales channels and the management ability imposes a great challenge on the new entrants in the gold jewelry market.

***Financial barriers:*** The heritage gold jewelry industry needs a significant amount of capital investment from raw material procurement in the upstream reaches to production and processing in the midstream reaches to the establishment of a sales network in the downstream. Moreover, the initial financial investment for the raw materials involving gold, diamond, and other precious metals is enormous. As a result, new entrants to the industry face high barriers to capital.

### DIRECTORS' CONFIRMATION

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

### SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and 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. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB783.0 thousand. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the Global Offering. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the gold jewelry market for potential investors. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the gold jewelry market.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not

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## INDUSTRY OVERVIEW

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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 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. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

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## REGULATORY OVERVIEW

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This section sets out an overview of the current laws and regulations applicable to the Group in the PRC, Hong Kong and Macau that may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group.

This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors.

### THE PRC

#### Laws and Regulations Relating to Foreign Investment

According to the PRC's Foreign Investment Law (《中華人民共和國外商投資法》) and the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) both effective from January 1, 2020, "foreign investment" in China includes activities by foreign individuals, enterprises, or organizations. The law implements pre-entry national treatment and a negative list system. Pre-entry national treatment ensures equal treatment for foreign and domestic investors during investment entry. The negative list outlines sectors where foreign investment is restricted or prohibited. Investments, profits, and rights of foreign investors are protected by law. National policies supporting enterprise development apply to foreign-funded enterprises. Foreign-funded enterprises have equal participation in standard formulation, with enhanced information disclosure and social supervision. They can engage in government procurement through fair competition, ensuring equal treatment for their products and services. Expropriation of overseas investments is generally prohibited, except under special circumstances.

According to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》) issued by MOFCOM and State Administration for Market Regulation on December 30, 2019, effective from January 1, 2020, foreign investors engaging in China's investment activities must submit information to commerce authorities. Reports must be truthful, accurate, and complete, avoiding false or misleading information and major omissions.

According to the 2022 version of the Catalog of Industries Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2022年版)》) issued by NDRC and MOFCOM on October 26, 2022, effective from January 1, 2023, and the 2021 Edition of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)(2021年版)》) ("Negative List") promulgated on December 27, 2021, effective from January 1, 2022, foreign investment in China falls into the Encouraged Industry Catalog and the Negative List. The Negative List is further categorized into the "Catalog of Restricted Foreign Investment Industries" and the "Catalog of Prohibited Foreign Investment Industries". Industries not on the Negative List are permitted for foreign investment. Foreign investors are encouraged to invest in areas like integrated circuit design, manufacturing of integrated circuit packaging and testing equipment, and new electronic components manufacturing in China.

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As per the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) announced by NDRC and MOFCOM on December 19, 2022, effective from January 18, 2021, foreign investments impacting national security undergo review. The State has set up a mechanism overseeing these reviews, organizing and guiding the process. Investors in defense, military-related, agricultural, energy, manufacturing, infrastructure, transportation, cultural, information technology, Internet, financial sectors, and key technologies, gaining control over enterprises, must apply for security review beforehand.

### **Laws and Regulations Relating to Overseas Listing**

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (“the Overseas Listing Trial Measures”) and five relevant guidelines, which became effective on March 31, 2023. Meanwhile, the Special Provisions of the State Council for the Share Offerings and Listings Overseas of Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》), which were previously the main institutional basis for overseas offering and listing by domestic enterprises, were repealed on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic enterprises which seek to issue and list securities in overseas markets by direct or indirect means are required to complete the filing procedures with and submit relevant materials to the CSRC. The Overseas Listing Trial Measures provides that an overseas offering and listing is prohibited if there is one of the following circumstances: (i) the listing is specifically prohibited for financing purposes by laws, administrative regulations, or applicable requirements imposed by the country; (ii) the overseas offering and listing might endanger national security as reviewed and determined by competent authorities under the State Council in accordance with relevant laws; (iii) the domestic enterprise or its controlling shareholders and de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in recent three years; (iv) the domestic enterprise is currently under judicial investigations for suspicion of criminal offenses or materially breaching laws or regulations, where no definitive conclusions have been reached; or (v) there are material ownership disputes with respect to equity interests held by controlling shareholders or equity interests held by other shareholders controlled by controlling shareholders and/or de facto controllers.

The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering and listing by PRC domestic enterprises: (i) the amount of any of the operating revenue, total profit, total assets or net assets of the domestic enterprise represents over 50% of that of the relevant item in the issuer’s audited consolidated financial statements for the most recent fiscal year; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its principal place of business is located in mainland China, or the majority of senior management in charge of its business operations and management are PRC citizens or have their usual place of residence located in mainland China.

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Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer who has completed an overseas offering and listing.

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.

### **Regulations Related to the Gold Jewelry Industry**

#### ***Gold Production and Sales Qualification Requirement Criteria for Gold Production and Sales Qualifications***

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項目和改變一批行政審批項目管理方式的決定》). 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》) (“Foreign Trade Law”), which was promulgated by the Standing Committee of the National People’s Congress (“SCNPC”) on May 12, 1994, and subsequently amended on December 30, 2022, foreign trade operators have been exempt from the registration requirement since December 30, 2022. The amended law grants the PRC government the authority to allow the free import and export of commodities and technologies, except where specified otherwise by other laws and administrative regulations.

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Prior to the amendment on December 30, 2022, under the earlier version of the Foreign Trade Law, foreign trade operators engaged in the import and export of commodities or technologies were obligated to apply for registration with the foreign trade authorities under the State Council or their delegated agencies for record-keeping purposes. This registration requirement was mandatory, unless exempted by other applicable laws, administrative regulations, or stipulations set forth by the foreign trade authorities under the State Council. Failure to comply with these provisions meant that the Customs Department would not proceed with customs clearance for imported or exported commodities.

### *Import and Export Licensing System for Gold and Gold Products*

In accordance with the relevant provisions outlined in 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》) (the “Measures”), a permit system has been established for the import and export of gold and gold products. In this context, “gold” refers to unforged gold, while “gold products” encompass semi-manufactured gold and manufactured gold products, among others. The PBOC is authorized to grant restrictive approval on the quantity of gold and gold products to be imported and exported, aligning with the macroeconomic regulation and control needs of the State.

According to the Measures, a domestic enterprise intending to import gold products is required to apply for and obtain approval from the PBOC, provided that the enterprise has no illegal or irregular activities related to import of gold products within the past 2 years, and meets one of the following conditions: (i) if the applicant is an enterprise that produces, processes or uses gold products, it shall have necessary production sites, facilities and equipment, meet national standards of pollutant emissions, and have tax payment record of no less than RMB1 million taxes per year for three consecutive years; (ii) if the applicant is a foreign trade operation enterprise managed by an authorized economic operator (enterprise certified by custom and given favorable clearance conditions), it shall have tax payment record of no less than RMB3 million taxes per year for three consecutive years; or (iii) the applicant is an educational institution or scientific research institution that uses gold products for national scientific research projects or key research projects. The Measures also require that the import of gold products is conducted through specific trade method, including general trade, transfer of processing trade to domestic sales, domestic purchase of gold raw materials for export of gold products under processing trade, or import/export between customs special supervision areas, bonded supervision areas and places outside of the aforementioned areas within China. If a domestic enterprise applying for PBOC approval does not meet any of the above conditions, or the import is not conducted under any of the above trade methods, it is not entitled to PBOC approval for import of gold products into mainland China.



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The PBOC, in collaboration with the General Administration of Customs, has developed, revised, and disseminated the Catalog of Commodities for Management of Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理商品目錄》). When processing import or export customs clearance procedures for the gold and gold products specified in the Catalog of Commodities for Management of Import and Export of Gold and Gold Products, it is mandatory to submit the PBOC Import and Export Permit for Gold and Gold Products, which is issued by the PBOC and its branches, to the Customs.

### *Customs Law*

In accordance with the Customs Law of the PRC (《中華人民共和國海關法》) enacted by the SCNPC on January 22, 1987, and subsequently amended on April 29, 2021, effective from the same date, the Customs of the PRC is vested with the authority for the supervision and administration of entry and exit points. Under the framework of pertinent laws and administrative regulations, the Customs exercises its jurisdiction over various aspects, including the inspection and regulation of vehicles, goods, luggage, postal articles, and other items entering and departing the country. This mandate encompasses the assessment and collection of customs duties, taxes, and fees, as well as the prevention and detection of smuggling activities, compilation of customs statistics, and execution of related customs procedures.

Furthermore, as delineated in 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》) promulgated by the General Administration of Customs on November 19, 2021, and implemented from January 1, 2022, the term “customs declaration entities” pertains to consignees and consignors of import and export goods, as well as customs declaration enterprises officially registered with the customs authorities. Entities seeking recordation are required to hold valid market entity qualifications. Specifically, importers and exporters must also possess records as foreign trade operators. The recordation status of customs declaration entities is of a permanent nature, while temporary recordation holds a validity period of one year. Upon expiration, entities are entitled to reapply for recordation.

### **Laws and Regulations on the Protection of Wildlife**

According to the Law of the People’s Republic of China on the Protection of Wildlife (《中華人民共和國野生動物保護法》) promulgated by the SCNPC on November 8, 1988, last amended on December 30, 2022, and the Implementing Regulations of the People’s Republic of China on Aquatic Wildlife Protection (《中華人民共和國水生野生動物保護實施條例》) promulgated by the State Council on September 17, 1993, last amended on December 7, 2013, aquatic wildlife should be protected. According to the Special Measures of the People’s Republic of China for the Utilization of Aquatic Wildlife (《中華人民共和國水生野生動物利用特許辦法》) promulgated by the Ministry of Agriculture and Rural Affairs of the People’s Republic of China, the use of aquatic wildlife or its products must be reviewed and approved by the fishery administrative department at or above the provincial level, and the “Aquatic Wildlife Operation and Utilization License” (《水生野生動物經營利用許可證》) must be obtained before proceeding.”



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### **Laws in Relation to Product Quality and Consumer Protection**

In accordance with the Product Quality Law (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses.

Under the Civil Code of the PRC (《中華人民共和國民法典》) (the “Civil Code”), which became effective on January 1, 2021, as adopted by the SCNPC on May 28, 2020, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller. If the aggrieved party claims compensation from the commercial seller, the seller can subsequently seek reimbursement from the liable manufacturer after providing compensation.

Furthermore, the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was initially promulgated on October 31, 1993, and subsequently amended on August 27, 2009, and October 25, 2013. This law safeguards consumers’ rights during the purchase, use of goods, and acceptance of services. All business operators are mandated to comply with this law in their manufacturing, sales of goods, and provision of services to consumers. The amendments introduced on October 25, 2013, emphasize the need for business operators to prioritize the protection of consumers’ privacy and maintain strict confidentiality of any consumer information obtained during their business operations.

### **Regulations Regarding the Sale of Products**

#### ***Laws Related to Anti-Unfair Competition***

The Law of the PRC for Countering Unfair Competition (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC on September 2, 1993, and effective from December 1, 1993, with its most recent amendment becoming operative on April 23, 2019, delineates essential measures aimed at curbing unfair competition and preserving market order. These measures encompass the prohibition of unjust practices such as misleading prize promotions and dumping, which are designed to eliminate market competitors.

According to the aforementioned law, operators are strictly prohibited from offering bribes to employees of counterpart units, units or personnel entrusted by counterparts, or exerting undue influence on counterpart units or personnel to secure commercial opportunities

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or gain competitive advantages. However, operators are permitted to openly provide discounts to trading counterparts or commissions to intermediaries during their business transactions. It is imperative for operators to maintain accurate records of payments made to trading counterparts and intermediaries.

In the event of violations against the provisions outlined in Article 7 of the Law, wherein operators engage in bribery, regulatory authorities are empowered to confiscate the illicit gains obtained by the operators. Additionally, depending on the severity of the circumstances, fines ranging from RMB100,000 to RMB3,000,000 may be imposed. In cases of egregious violations, the revocation of business licenses is a potential consequence. The Law for Countering Unfair Competition underscores the commitment of the PRC to fostering a competitive market environment characterized by integrity, fairness, and adherence to ethical business practices.

### *Laws Related to Advertising*

Under the Advertisement Law of the PRC (《中華人民共和國廣告法》), enacted by the SCNPC on October 27, 1994, and effective from February 1, 1995, with the most recent amendment becoming operative on April 29, 2021, stringent regulations are in place to ensure the integrity and accuracy of advertising content. According to this legislation, advertisements are strictly prohibited from containing false information or engaging in practices that could deceive or mislead consumers.

In the event of violations where operators disseminate false advertisements, the market supervision and management authorities are empowered to take corrective action. Such measures include issuing orders to cease the publication of the misleading advertisements, mandating the elimination of any adverse effects within the relevant scope, and imposing fines ranging from three to five times the total advertising expenses incurred. Should the advertising expenses be challenging to calculate accurately or are significantly understated, fines in the range of no less than RMB200,000 and no more than RMB1,000,000 may be levied.

For recurrent violations within a span of two years, or in cases involving aggravating circumstances, the penalties become more severe. Offenders may face fines amounting to five to ten times the advertising expenses, with potential fines ranging from no less than RMB1,000,000 to no more than RMB2,000,000 if the advertising expenses are difficult to ascertain accurately or are notably understated. Furthermore, in such instances, the revocation of business licenses is a possibility. Additionally, the advertising review authority reserves the right to revoke the approval documents for advertising review and abstain from considering their advertising review applications for a period of one year.

It is crucial to note that if the violation reaches the threshold of criminality, legal proceedings may be initiated, leading to criminal liability for the responsible parties. The Advertisement Law of the PRC underscores the gravity with which the law treats false or deceptive advertising practices, aiming to maintain the integrity of commercial communications and safeguard the interests of consumers and the market at large.

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### *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 Cyber Information Security, Privacy and Data Protection**

#### *Privacy Protection*

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

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 fulfill 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 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.

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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》), and the standards for determining “serious circumstances” and “particularly serious circumstance” 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.

On August 20, 2021, the Law of the PRC on the Protection of Personal Information (《個人信息保護法》) (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. 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 Cyberspace Administration of China (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 PRC, other personal information

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processors shall meet one of the following conditions: (i) passing the security assessment by the CAC; (ii) obtaining certification of data security by a professional body in accordance with the requirements of the CAC; (iii) entering into an agreement with the overseas recipient with provisions governing the rights and obligations of the parties based on a template contract to be released by the CAC; or (iv) other requirements as provided by laws and regulations.

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

### *Cyber Information Security*

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 PRC 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.

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), effective from June 1, 2017, mandates network operators to maintain secure networks, combat cyber threats, and safeguard data integrity. Users must refrain from activities endangering national security or infringing others' rights. It outlines principles for collecting personal data, requiring consent, legitimacy, and necessity. Operators must not exceed data collection scopes, mishandle data, or share it without consent. Critical Information Infrastructure Operators must store data within China. Violations can lead to warnings, fines, license revocation, or legal consequences.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "Data Security Law"), effective from September 1, 2021. According to the Data Security Law, the State supports research on data development and utilization and data security technologies, encourages the promotion of technologies and commercial ventures in the fields of data development and utilization and data security, and nurtures and develops data development and utilization and data security products and

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industrial systems. The State also supports education and scientific research institutions and enterprises to carry out education and training on data development and utilization technologies and data security and adopts various means to train professionals in data development and utilization technologies and data security to promote the exchange of talents.

The Data Security Law establishes a hierarchical protection system for data based on its significance in economic and social development and potential harm to national security and public interests. Different protection measures are mandated for each data category. Processors of important data must appoint personnel for data security, conduct risk assessments, and report findings. The national security leadership organ coordinates national data security decisions. The law requires a security review for activities impacting national security and restricts certain data exports. Entities within China cannot provide data to foreign authorities without PRC approval.

On December 8, 2022, the Ministry of Industry and Information Technology (the “MIIT”) promulgated the Measures for the Administration of Data Security in the Field of Industry and Information Technology (Trial) (《工業和信息化領域數據安全管理辦法（試行）》), which came into effect on January 1, 2023. Data processors in the field of industry and information technology shall take the main responsibility for the security of data processing activities, implement hierarchical protection for various types of data, and where different levels of data are being processed at the same time and it is difficult to take separate protection measures, the protection shall be implemented in accordance with the requirements of the highest levels, to ensure that the data continues to be effectively protected and legally utilized.

On March 1, 2015, the Administrative Provisions on Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》) were enacted by the CAC, obliging internet service providers to enhance security management. The rules mandate providers to ensure user-submitted information like account names, avatars, and profiles are free from illegal or malicious content. Service providers must employ staff to review this data and reject any containing such information. Additionally, providers must encourage real-name registration, requiring users to authenticate their identity information, balancing mandatory back-office verification with voluntary front-office display.

On March 1, 2020, the Provisions on the Ecological Governance of Network Information Contents (《網絡信息內容生態治理規定》) (CAC Order No. 5) were enforced by the CAC to enhance online information regulation. According to these rules, network information content service platforms must refrain from disseminating content violating laws, especially national security-related information. They are required to scrutinize platform advertisements, establish clear management protocols, enhance user agreements, and ensure user rights and obligations comply with laws and conventions. Additionally, these platforms must create accessible channels for complaints and reports and submit annual reports on content management. Prohibited activities include using technologies like deep learning and virtual reality for unlawful purposes, engaging in fraudulent account activities, and interfering with information display to infringe on third-party rights or seek illegal gains.



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Effective from February 15, 2022, the Measures for Cyber Security Review (《網絡安全審查辦法》) (Cybersecurity Review Measures) were jointly issued by multiple Chinese authorities including the CAC, NDRC, MIIT, and others. These measures aim to secure the supply chain for critical information infrastructure and protect national security. They mandate strict cybersecurity reviews for critical information infrastructure operators purchasing network products or services and for online platform operators engaged in data processing activities that could pose “national security” risks. Operators must assess potential risks before procurement and apply for a review if concerns arise. Online platforms with over one million user profiles must seek review before foreign listings. The Cyber Security Review Office may initiate reviews if overseas activities impact national security. Violations result in penalties under the Cyber Security Law and Data Security Law, including government actions, fines, and operational suspensions.

The cyber security review assesses risks in procurement, data processing, and overseas company listings. Factors include: illegal control of critical information infrastructure; business harm due to service interruptions; supply security amid political or trade issues; compliance with PRC laws; data theft risks; foreign control after listing; and other threats. The review takes up to 70 days, extendable. On July 30, 2021, the State Council enacted the Safe Protection Regulations for safeguarding critical information infrastructure (《關鍵信息基礎設施安全保護條例》), effective since September 1, 2021. It defines critical information infrastructure and mandates security measures. Violations lead to fines. The CAC proposed the Draft Cyber Data Security Regulation (《網絡數據安全管理條例(徵求意見稿)》) on November 14, 2021, requiring cyber security reviews for specific activities, including mergers, listings in Hong Kong, and other security-affecting data processing. Public feedback was sought until December 13, 2021.

In addition, the draft measures 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.

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. 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.



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### **Regulations on Work Safety**

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《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**

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, special construction projects that have not passed the fire prevention inspection or the fire prevention inspection are prohibited from putting into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be stopped.

### **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.

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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.

### **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.

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### *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.

### *Copyright Law*

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and effective on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and effective on March 1, 2013, works of PRC citizens, legal entities or unincorporated organizations, whether published or not, shall enjoy copyright. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, including written works, oral works, photographic works, video and audio works, and computer software. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

### *Domain Names*

According to the Measures for the Administration of Internet Domain Names issued by the Ministry of Industry and Information Technology on August 24, 2017 (effective from November 1, 2017), and the Implementation Rules for National Top-Level Domain Name Registration released by the China Internet Network Information Center on June 18, 2019 (effective on the same day), domain name owners must register their domain names. The Ministry of Industry and Information Technology oversees China’s Internet domain names, while provincial, autonomous region, and municipal telecommunications management bureaus

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are responsible for domain name services within their respective regions. Registration operates on a “first come, first file” basis. Applicants must provide accurate information and enter registration agreements with domain name registration service providers. Upon completing the registration process, applicants become the domain name holders.

### **Regulations Relating to Property Leasing**

On May 28, 2020, the SCNPC promulgated the Civil Code, which came into effect on January 1, 2021. According to the Civil Code, an owner is entitled to possess, use, benefit from, and dispose of his own immovable or movable property in accordance with law. A lessee may, upon the lessor’s consent, sublease the leased object to a third person. The lease contract between the lessee and the lessor shall continue to be valid despite the sublease by the lessee, and if the third person causes loss to the leased object, the lessee shall bear the liability for compensation. A change in the ownership of a leased object during the period that a lessee possesses the leased object in accordance with the lease contract shall not affect the validity of the lease contract. 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 workplace safety and sanitation, strictly abide by state rules and standards on workplace 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 workplace and sanitation conditions which are in compliance with applicable laws and regulations of labor protection.

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

### *Social Insurance and Housing Provident Fund*

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

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment

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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.

### **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.



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Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, came into effect on January 1, 2020, 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.

### *Value-added Tax*

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《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 PRC 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 MOF on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax (VAT). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號)) promulgated by the Ministry of Finance and the State Administration of Taxation promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, 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.



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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%.

According to the Circular of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on the Adjustment to Tax Policies on Diamonds and the Shanghai Diamond Exchange (《財政部關於鑽石及上海鑽石交易所有關稅收政策的通知》), the Ministry of Finance, the General Administration of Customs and the State Taxation Administration stipulated that diamonds declared for customs clearance on the Shanghai Diamond Exchange are exempted from customs duty; the tax payment of consumption tax on diamonds is moved from the production and importing segments back to retailing segments; the consumption tax on un-mounted finished diamonds and diamond jewelries 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.

### **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.

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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 issued the Notice on Simplifying 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》), allowing entities and individuals to apply for foreign exchange registrations through qualified banks. Under SAFE's supervision, these banks can directly review applications. On March 30, 2015, SAFE released the Circular on Reforming Settlement Management of Foreign Capital in Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (SAFE Circular 19). This circular mandates Discretionary Foreign Exchange Settlement for foreign-invested enterprises, enabling them to settle foreign exchange capital based on operational needs, subject to document verification. The circular emphasizes authentic and self-use principles within the enterprise's scope, barring use for payments beyond business scope, securities investment (unless specified), Renminbi entrust loans, inter-enterprise borrowings, or real estate expenses (except for self-use by foreign-invested real estate enterprises).

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

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

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic

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entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

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

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

### HONG KONG

#### Registration of Business

Business Registration Ordinance (Cap. 310) provides that any person carrying on sole proprietorship or partnership business shall apply for business registration within one month of the commencement of such business.

#### Registration Regime for Dealers in Precious Metals and Stones

To enhance the regulatory regime for combating money laundering and terrorist financing (“ML/TF”) in fulfilment of Hong Kong’s obligations under the Financial Action Task Force (“FATF”), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“AMLO”) (Cap. 615) has been amended to introduce a registration regime for dealers in precious metals and stones for commencement on 1 April 2023. The Customs and Excise Department would take charge of the regime to enforce the registration requirements and supervise the anti-money laundering and counter-terrorist financing (“AML/CTF”) conduct of registrants.

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There are two categories of registration with the Commissioner of Customs and Excise: Any dealer who intends to engage in non-cash transaction(s) with total value at or above HKD120,000 in the course of business is required to register as a Category A registrant. Any dealer who is seeking to engage in cash transactions with total value at or above HKD120,000 and non-cash transactions with total value at or above HKD120,000 (“**Specified Cash Transaction**”) in the course of business is required to register as a Category B registrant. A Category A registrant is not allowed to conduct any Specified Cash Transaction and is not required by any local laws or regulations to identify and verify the identities of its cash-settling customers. A Category B registrant is subject to AML/CTF supervision.

To facilitate existing dealers migration to the aforesaid registration regime, precious metals and stones dealers who have been in operation before commencement of the aforesaid registration regime are allowed to apply for registration within 9 months (“**Relevant Period**”) after commencement of the aforesaid registration regime (i.e. Apr – Dec 2023). Any person, who would like to start up a precious metals and stones business after commencement of the Regime and plan to carry out specified transactions and/or specified cash transactions, is required to register before carrying out any specified transactions and/or specified cash transactions.

After the Relevant Period, any existing dealer that continues to deal with precious metals and stones in cash and/or non-cash transactions that exceed HKD120,000 annually without properly registration under the aforesaid registration regime will be liable on conviction to a maximum fine of HK\$100,000 and imprisonment for six months.

### **Consumer Goods Safety Ordinance**

There are several pieces of legislation dealing with product safety requirements, the most common one being the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the “CGS Ordinance”). Under the CGS Ordinance, all consumer goods (except those listed in the Schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development and Labor of Hong Kong.

The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means (taking into account the cost, likelihood and extent of any improvement) to make the consumer goods safer. The CGS Ordinance also provides a due diligence defense, which may be replied on if the person or entity is able to show that they took all reasonable steps and exercised all due diligence to avoid committing offence relating to selling unsafe goods.

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## REGULATORY OVERVIEW

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Any person who sells unsafe goods commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of one year on first conviction, and HK\$500,000 and two-year imprisonment on subsequent conviction. If proven to the satisfaction of the Hong Kong court that the offence is continued, the person shall be liable for a fine of HK\$1,000 for each day during which it is proved to the satisfaction of the court that the offence has continued. Those unsafe goods may be seized by the Customs and Excise Department and other authorized officers for enforcement purposes. Unsafe goods supplied, manufactured or imported contrary to the CGS Ordinance may be liable to be destroyed.

### **Contractual Obligations, the Sale of Goods Ordinance and the Control of Exemption Clauses Ordinance**

In Hong Kong, contracts for the sale of goods are governed by, among others, the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied terms or conditions and warranties. The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

### **Trade Descriptions Ordinance**

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) deals with mis-description of goods in general and it is to ensure the seller, in the course of business, give an accurate description about the goods.

Under that ordinance a trade description includes but not limited to the quantity, size or gauge, method of manufacture, production, processing or reconditioning, composition, fitness for purpose, strength, performance, behavior or accuracy, availability, compliance with a standard specified or recognized by any person, person by whom manufactured, produced, and processed or reconditioned. It is an offence under that ordinance if the seller applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied. In addition, any person who imports or exports any goods to which a false trade description is applied commits an offence, unless he could prove, with sufficient evidence adduced, that he did not know, had no reason to suspect and could not with reasonable diligence have ascertained that the goods are goods to which a false trade description is applied.

This section sets out an overview of material laws and regulations applicable to the company in Macau SAR only. As it is a summary only, the information contained herein should not be construed as a comprehensive summary of the laws or regulations applicable to the Company.

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## REGULATORY OVERVIEW

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### MACAU

#### Laws and Regulations Regarding the Establishment of the Company

##### *Company establishment and operation*

The establishment, operation and management of company established in Macau are governed by the Amended Commercial Code of Macau (“Commercial Code”) approved by Decree No. 40/99/M of August 3, 1999.

According to the Macau Commercial Code, a limited company can be established in the form of a “one-person limited company”, that is, all the company’s shares are held by only one entity. The legal provisions regarding limited companies also apply to one-person limited companies, subject to the following restrictions: (i) a one-person limited company may not be held by another one-person limited company incorporated in Macau; and (ii) All transactions between the company and its sole shareholder must be in written, be necessary, useful or expedient to pursue the interests of the company and must be reviewed by a practicing auditor. Such transactions must indicate that the interests of the company are properly protected and are conducted in accordance with standard market conditions and prices.

According to the Macau Commercial Code, at the end of each business year, the director board of company shall prepare annual accounts, relevant annual business reports and surplus utilization proposals.

##### *Distribution of Surplus*

Regarding the distribution of surplus of Macau Limited Company, according to Article 198 of the Macau Commercial Code, the Surplus shall be the amount obtained from after deducting the capital of the company and the provident fund that have been incorporated or shall be incorporated in the business year according to laws or Article that are not allowed to be distributed to shareholders in the accounts for the relevant business year which prepared and passed in accordance with statutory rules.

In addition, legislators have established different profits distribution systems for different types of companies. For a limited company, according to the first paragraph of Article 377 of the Macau Commercial Code, the disposal of the distributable surplus of the relevant business year shall be based on the resolution of the shareholders, also according to the fourth paragraph of the same article, the company shall deduct not less than 25% from the surplus of the relevant business year as a provident fund until the amount had reached the half of the company’s capital.

Moreover, regarding the taxes on surplus distribution, according to the provisions of Articles 2 and 3 of Law No. 21/78/M (Supplementary Tax on Income), the total income of a limited company from industrial and commercial activities, after deducting the burden, will be the taxable income of the above-mentioned income supplementary tax. As for the surplus of a



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## REGULATORY OVERVIEW

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limited company, in principle, it must declare and pay supplementary tax to the government authorities every year. Since the limited company has declared and paid taxes on its earnings, the after-tax earnings will be distributed to shareholders. Shareholders no longer need to declare and pay taxes on the distributed earnings on their individuals.

### **Employment Regulations**

The 2008 Macau Labour Relations Law (Law No. 7/2008 which also amended by Law No. 2/2015 and Law No. 8/2020)) establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Macau Labour Affairs Bureau.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law No. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees. Non-compliance with the rules included in Law No. 21/2009 may constitute administrative offenses, and/or criminal offenses related to illegal employment.

According to Law No. 21/2009, the current minimum wage in Macau is MOP6,656 per month.

### **Taxation in Macau**

Macau practices an independent taxation system and, taking the low tax policy previously pursued in Macau as reference, enacts on its own laws and regulations concerning types of taxes, tax rates, tax reductions and exemptions, allowances and expenditures, and other matters of taxation (acc. Article 106 of the Basic Law of Macau).

There is currently a Treaty between the Macau and Mainland China to Avoid Double Taxation and Prevent Tax Evasion in relation to Income Taxes (Notice of the CE No. 1/2020).

Macau follows a calendar fiscal year and its taxation system categorizes different types of taxes into direct and indirect taxes which are levied on income as well as on assets and wealth. The most relevant taxes, both administered by the Financial Services Bureau, for the Company's activity in Macau are Profession (Law No. 2/78/M), Industrial Contribution (Law



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## REGULATORY OVERVIEW

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No. 15/77/M), which corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau and Corporate Profits Tax (Law No. 21/78/M), which corresponds to a profit tax on earnings from business activities.

Infringements to tax statutes may result in the application of sanctions or penalties.

### **Import and Export of Goods**

In accordance with Law No. 15/2019, the international trade in rough diamonds' operation, import and export, transshipment, trading or transportation must apply for relevant business licenses from the Economic and Technological Development Bureau of the Macao SAR. The operation of diamond products must also comply with the provisions of Law No. 2/2006 on the Prevention and Suppression of Money Laundering Crimes.

The operation of silver products and platinum does not require application for relevant licenses, but such products must comply with import and export declaration requirements. The import and export of the above goods must be declared through Customs of Macao SAR.

### **Obligation to Cooperate for the Purpose of Preventing Money Laundering**

According to Circular No. 1/2019 of Macau Economic and Technological Development Bureau, it is a mandatory legal requirement for merchants to make regular declarations. The article 9 of Administrative Regulation No. 7/2006 shall apply with the provisions of Law No. 2/2006 on "Preventing and Suppressing Money Laundering Crimes". Gold product retailers are required to identify customers conducting transactions in cash amounting to MOP\$120,000 or more (or its foreign currency equivalent) in a single transaction or within a 30-day period.

### **Consumer Protection Law**

The Law No. 9/2021 stipulates that operators must provide consumers with the prices and units of measurement of goods or services in a clear, accurate and easy-to-understand manner in a timely manner; easy-to-understand methods provide consumers with payment methods.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

We are a Chinese heritage gold jewelry brand accredited by the China Gold Association, epitomizing China’ intangible cultural heritage value and craftsmanship through our comprehensive product portfolio.

The origins of our Group can be traced back to 2009 when our founder, Mr. Xu, launched the first store which focus on the sales of heritage gold jewelry through Golden Treasury. Golden Treasury was established in 2004 with Mr. Xu as the major shareholder holding 70% equity interests. Through his early business in the fields of tourism, culture and handcrafts, including gold jewelry and ornaments business operated by Yueyang Hongqiao since 1995 and Golden Treasury since 2004 and stationery culture products, antique products and jewelry business operated by Stationery Culture since 2012, as founder of each of Yueyang Hongqiao, Golden Treasury and Stationery Culture and general manager of each of Golden Treasury and Stationery Culture, Mr. Xu also led the R&D activities of Golden Treasury from 2004 to December 2016 and Stationery Culture from 2012 to December 2016 and had accumulated extensive experiences in and deep understanding of the gold jewelry industry and craftsmanship, brand positioning and brand operation. Under the strong leadership of Mr. Xu, among the key brands in China’s gold jewelry market, we are the only brand that focuses on the design, manufacture and sale of heritage gold jewelry according to Frost & Sullivan. For further information about Mr. Xu, please refer to “Directors, Supervisors and Senior Management — Board of Directors — Executive Directors” in this prospectus.

In December 2016, to seek separate development of the heritage gold jewelry business from other businesses operated by Golden Treasury and streamline corporate structure, the then shareholders of Golden Treasury, namely Mr. Xu and Mr. Xu Dongbo established our Company as the principal operating entity engaging the heritage gold jewelry business and commenced a series of business restructuring with Golden Treasury. Since then, “Laopu Gold (老鋪黃金)” has been operated by our Group independently and separately from Golden Treasury.

For details of corporate development of our Company, please refer to paragraphs headed “Subsequent Capital Changes and Equity Transfers of Our Company” in this section. We have also attracted Pre-IPO Investors since the establishment of our Company. For details of our historical financing, please refer to the paragraphs headed “Pre-IPO Investments” in this section.

### DEVELOPMENT MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2009 . . . . .	Our first store focusing on the sales of heritage gold jewelry was launched in Beijing  We were the first brand in China to promote the concept of heritage gold artifact and one of the earliest to engage in brand-oriented operations for traditional handmade gold jewelry, according to Frost & Sullivan

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Year	Milestones
2010 . . . . .	We enriched our product line by launching classical Chinese study room theme products, such as decorative ornaments, and collectible gold vessels
2014 . . . . .	The trademark of “Laopu Gold (老鋪黃金)” was registered
2016 . . . . .	Our Company was established as the principal operating entity engaging in the heritage gold jewelry
2017 . . . . .	We launched our self-operated online sales channel, with flagship store on Tmall  We opened our boutique in Shenzhen, expanding our business to southeast China  We opened our boutique in the high-end fashion mall, Beijing SKP
2018 . . . . .	Hong Kong Laopu was incorporated
2019 . . . . .	Our Company was converted into a joint stock limited company under the PRC Company Law  We were the first in the industry to introduce diamond-inlaid pure gold jewelry, further enhancing the profit potential of heritage gold jewelry, according to Frost & Sullivan  Macau Laopu was incorporated
2021 . . . . .	We were the drafting unit to draft the group standards for “Heritage Gold Artifact” (《古法金飾品》團體標準) published by the China Gold Association (中國黃金協會)  We ranked first in terms of solidity value (價值力指數) in the Tmall Gold Category Brand Consumers’ Mind List (天貓黃金品類品牌人群心智榜單) as published by Tmall
2022 . . . . .	We were the drafting unit to draft the group standards for “Heritage Gold Artifact with Diamonds” (《古法金鑲嵌鑽石飾品》團體標準) published by the China Gold Association
2023 . . . . .	We were one of the only two Chinese gold jewelry brands listed in the “2023 Hurun Supreme Brands — China’s High Net-Worth Individuals’ Brand Preferences Report” (《2023胡潤至尚優品—中國高淨值人群品牌傾向報告》)

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OUR GROUP

As of the Latest Practicable Date, our Group comprised our Company and our three wholly-owned subsidiaries, namely Yueyang Laopu, Hong Kong Laopu and Macau Laopu which are set forth below. For details of our subsidiaries, see Note 1 to the Accountants' Report in Appendix I to this prospectus.

	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>	<u>Shareholding Change</u>	<u>Principal Business activities</u>
Our Company . . .	PRC	December 5, 2016	For details of the shareholding change of our Company, see “– Corporate Development and Shareholding Changes of Our Company” in this section	Sale of jewelry, provision of maintenance and repair services
Yueyang Laopu . .	PRC	March 28, 2018	A wholly-owned subsidiary of our Company since its establishment	Manufacture and sale of jewelry
Hong Kong Laopu . . . . .	Hong Kong	January 2, 2018	A wholly-owned subsidiary of our Company since its incorporation	Sale of jewelry
Macau Laopu . . .	Macau	September 17, 2019	A wholly-owned subsidiary of our Company since its incorporation	Sale of jewelry

### CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR COMPANY

#### Establishment of Our Company and Business Restructuring

Our Company was established in the PRC on December 5, 2016. Upon establishment, the registered capital of our Company was RMB50 million, which was owned by Mr. Xu and Mr. Xu Dongbo as to 70% and 30%, representing RMB35 million and RMB15 million of the registered capital of our Company, respectively.

At that time, Golden Treasury, which was also owned by Mr. Xu and Mr. Xu Dongbo as to 70% and 30%, respectively, operated its businesses under two brands, “Laopu Gold (老鋪黃金)” relating the Chinese heritage gold jewelry business and “Golden Treasury” (金色寶藏) relating to cultural/travel souvenirs business.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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In December 2016, to streamline corporate structure primarily based on brands and product types into three business lines, Mr. Xu planned to let (i) our Company act as the entity which primarily engaged in the heritage gold jewelry business, (ii) Stationery Culture act as the entity primarily engaged in the retail business of furniture, four treasures of study (文房四寶) and calligraphy and painting, and (iii) Golden Treasury act as the entity which primarily engaged in sales of travel souvenirs with Buddhist cultural themes. In December 2016, the traditional Chinese handcrafted gold jewelry business together with the relevant assets and liabilities were transferred from Golden Treasury to our Company.

To seek separate development of the Chinese heritage gold jewelry business and streamline corporate structure, the traditional Chinese handcrafted gold jewelry business together with the relevant assets and liabilities were transferred from Golden Treasury to our Company at consideration of approximately RMB16.88 million, which was determined with reference to (i) for the finished goods, the book value as of December 31, 2016 as valued by an Independent Third Party valuer, (ii) for the intangible assets, the value of the brand of “Laopu Gold (老鋪黃金)” as of October 31, 2016 as appraised by an Independent Third Party appraisal company; and (iii) for other assets and liabilities, the book value of those other assets and liabilities to be transferred as of December 31, 2016. As a result, our Company started to focus on the operation of the brand of “Laopu Gold (老鋪黃金)” independently.

In 2018, as Golden Treasury decided to cease its operation and proposed to dispose its operational assets and dismiss the then employees. Among all the disposed operational assets, (i) surplus display products and certain counter furnitures in the shop previously operated by Golden Treasury were acquired by our Company in September 2018, at the consideration of approximately RMB2.9 million, which was determined with reference to the book value at the relevant time. Such transfer was fully settled in December 2018; (ii) gemstones and clay teapots (紫砂壺) with relatively high collection value were transferred to Mr. Xu at the consideration of approximately RMB35.1 million which was determined with reference to a valuation report (the “**2018 Valuation Report**”) appraised by an Independent Third Party. Such transfer was fully settled in December 2018 via offsetting with amounts due to Mr. Xu; (iii) products related to the business of Stationery Culture which primarily including agarwood (沉香), hardwood Buddha statues (硬木佛像) and wooden packaging, etc. were transferred to Stationery Culture at the consideration of approximately RMB16.1 million which was determined with reference to the 2018 Valuation Report. Such transfer was fully settled in December 2018; and (iv) products including amber (琥珀), blue amber (藍珀) and bronze Buddha statues (銅製佛像) with relatively low unit price and readily saleable to customers were transferred to Beijing Guyalin Cultural Development Co., Ltd. (北京古雅林文化發展有限公司) (“**Guyalin**”), an Independent Third Party, which was established by former employees of Golden Treasury and principally engaged in retail of tourism souvenirs, at the consideration of approximately RMB8.9 million which was determined through arm’s length negotiation, with reference to, among others, the book value of assets being transferred with certain discount. Such transfer was fully settled in April 2019.

Upon disposing the above operational assets and closing the shops it used to operate, Golden Treasury ceased operation in end 2018 and was then de-registered in May 2022.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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During the Track Record Period, no costs or expenses of our Group (including, without limitation, cost of sales, selling and distribution expenses, and administrative expenses) were ever borne by Golden Treasury, Guyalin or Stationery Culture, or any of their respective associates (the “**Relevant Entities**”). Therefore, it is unnecessary for the Relevant Entities to recharge such un-incurred costs or expenses to our Group.

### Subsequent Capital Changes and Equity Transfers of Our Company

#### 1. *Equity Transfer in August 2017*

On July 25, 2017, Mr. Xu, Mr. Xu Dongbo and Hongqiao Jinji entered into an equity transfer agreement, pursuant to which Mr. Xu and Mr. Xu Dongbo transferred the registered capital of RMB1.75 million and RMB0.75 million, approximately 3.50% and 1.50% equity interest in our Company to Hongqiao Jinji at the considerations of RMB3.36 million and RMB1.44 million, respectively.

Upon the completion of such equity transfer on August 15, 2017, our Company was owned as to 66.50%, 28.50% and 5.00% by Mr. Xu, Mr. Xu Dongbo and Hongqiao Jinji, respectively, with a registered capital of RMB50 million.

Hongqiao Jinji was established by Mr. Xu and Mr. Xu Dongbo and has been owned by Mr. Xu and Mr. Xu Dongbo as to 70% and 30%, respectively, since its establishment.

#### 2. *Capital Increase in November 2017*

On September 11, 2017, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB50 million to RMB62.50 million. Mr. CHEN Guodong (陳國棟) (“**Mr. Chen**”) subscribed for the increased registered capital of RMB12.5 million, representing approximately 20% of the increased equity interest in our Company, at the consideration of RMB30 million (the “**Nov-2017 Capital Increase**”).

Upon the completion of such capital increase on November 22, 2017, our Company was owned as to approximately 53.20%, 22.80%, 20.00% and 4.00% by Mr. Xu, Mr. Xu Dongbo, Mr. Chen and Hongqiao Jinji, respectively, with a registered capital of RMB62.50 million.

#### 3. *Capital Increase in May 2018*

On March 30, 2018, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB62.50 million to RMB119.44 million. Hongqiao Jinji, Mr. Chen and Mr. Xu subscribed for the increased registered capital of RMB53.33 million, and RMB2.5 million and RMB1.11 million representing approximately 44.65%, 2.09% and 0.93% of the increased equity interest in our Company, at the consideration of RMB240 million, RMB11.25 million and RMB5 million, respectively (the “**May-2018 Capital Increase**”).

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Upon the completion of such capital increase on May 9, 2018, our Company was owned as to 46.74%, 28.77%, 12.56% and 11.93% by Hongqiao Jinji, Mr. Xu, Mr. Chen and Mr. Xu Dongbo, respectively, with a registered capital of RMB119.44 million.

#### 4. Capital Increase and Equity Transfer in November 2018

In order to implement the stock incentive scheme, on October 11, 2018, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB119.44 million to RMB132.09 million. Tianjin Jincheng and Tianjin Jinji subscribed for the increased registered capital of RMB8.81 million and RMB3.84 million, representing approximately 6.67% and 2.91% of the increased equity interest in our Company, at the consideration of RMB30,835,000 and RMB13,440,000, respectively (the “**Nov-2018 Capital Increase**”).

On November 14, 2018, Tianjin Jindi and Mr. Xu entered into an equity transfer agreement, pursuant to which Mr. Xu transferred the registered capital of RMB2.58 million, representing approximately 1.95% of the increased equity interest in our Company to Tianjin Jindi at the consideration of RMB9.03 million (the “**Nov-2018 Transfer**”).

Upon the completion of such capital increase and equity transfer on November 13, 2018, the shareholding of our Company was as follows:

Shareholders	Registered capital	Approximate equity interest
	(RMB)	(%)
Hongqiao Jinji . . . . .	55,830,000	42.27
Mr. Xu . . . . .	31,780,000	24.06
Mr. Chen . . . . .	15,000,000	11.36
Mr. Xu Dongbo . . . . .	14,250,000	10.79
Tianjin Jincheng . . . . .	8,810,000	6.67
Tianjin Jinji . . . . .	3,840,000	2.91
Tianjin Jindi . . . . .	2,580,000	1.95
<b>Total . . . . .</b>	<b>132,090,000</b>	<b>100.00</b>

#### 5. Capital Increase in February 2019

In order to implement the stock incentive scheme, on December 10, 2018, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB132.09 million to RMB133.34 million. Tianjin Jinli subscribed for the increased registered capital of RMB1.25 million, representing approximately 0.94% of the increased equity interest in our Company, at the consideration of RMB4,375,000 (the “**Feb-2019 Capital Increase**”).



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of such capital increase on February 14, 2019, the shareholding of our Company was as follows:

Shareholders	Registered capital	Approximate equity interest
	(RMB)	(%)
Hongqiao Jinji . . . . .	55,830,000	41.87
Mr. Xu . . . . .	31,780,000	23.83
Mr. Chen . . . . .	15,000,000	11.25
Mr. Xu Dongbo . . . . .	14,250,000	10.69
Tianjin Jincheng . . . . .	8,810,000	6.61
Tianjin Jinji . . . . .	3,840,000	2.88
Tianjin Jindi . . . . .	2,580,000	1.93
Tianjin Jinli . . . . .	1,250,000	0.94
<b>Total . . . . .</b>	<b>133,340,000</b>	<b>100.00</b>

### 6. Capital Increase in May 2019

In order to implement the stock incentive scheme, on April 23, 2019, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB133.34 million to RMB135.84 million. Tianjin Jincheng, Tjianjin Jinji and Tianjin Jinyong subscribed for the increased registered capital of RMB430,000, RMB490,000 and RMB1.58 million, representing approximately 0.32%, 0.36% and 1.16% of the increased equity interest in our Company, at the consideration of RMB1.72 million, RMB1.96 million and RMB6.32 million, respectively (the “**May-2019 Capital Increase**”).

Upon the completion of such capital increase on May 10, 2019, the shareholding of our Company was as follows:

Shareholders	Registered capital	Approximate equity interest
	(RMB)	(%)
Hongqiao Jinji . . . . .	55,830,000	41.10
Mr. Xu . . . . .	31,780,000	23.40
Mr. Chen . . . . .	15,000,000	11.04
Mr. Xu Dongbo . . . . .	14,250,000	10.49
Tianjin Jincheng . . . . .	9,240,000	6.80
Tianjin Jinji . . . . .	4,330,000	3.19
Tianjin Jindi . . . . .	2,580,000	1.90
Tianjin Jinyong . . . . .	1,580,000	1.16
Tianjin Jinli . . . . .	1,250,000	0.92
<b>Total . . . . .</b>	<b>135,840,000</b>	<b>100.00</b>

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### 7. *Joint-Stock Reform in November 2019*

Pursuant to the shareholders' resolutions on November 20, 2019 and the promoters' agreement dated November 20, 2019, the then existing Shareholders of our Company agreed to convert our Company into a joint stock limited liability company with a registered capital of RMB135,840,000. Pursuant to the promoters' agreement, the audited net asset value of our Company as of August 31, 2019 amounted to RMB535,162,132.13, of which (i) RMB136.50 million has been converted into 136,500,000 Shares of RMB1.00 par value each, which were subscribed by and issued to the then Shareholders of our Company in proportion to their respective equity interest in our Company; and (ii) the remaining amount of RMB398,662,132.13 was converted to capital reserve of our Company. Upon the completion of registration with the then Dong Cheng District Bureau of Market Supervision and Administration of Beijing Municipality (北京市東城區市場監督管理局) on November 25, 2019, our Company was converted into a joint stock company with limited liability and renamed as Laopu Gold Co., Ltd. (老鋪黃金股份有限公司).

Upon the completion of the joint-stock reform on November 25, 2019, the shareholding of our Company was as follows:

Shareholders	Number of Shares	Approximate equity interest (%)
Hongqiao Jinji . . . . .	56,101,300	41.10
Mr. Xu . . . . .	31,934,400	23.40
Mr. Chen . . . . .	15,072,900	11.04
Mr. Xu Dongbo . . . . .	14,319,200	10.49
Tianjin Jincheng . . . . .	9,284,900	6.80
Tianjin Jinji . . . . .	4,351,000	3.19
Tianjin Jindi . . . . .	2,592,500	1.90
Tianjin Jinyong . . . . .	1,587,700	1.16
Tianjin Jinli . . . . .	1,256,100	0.92
<b>Total . . . . .</b>	<b>136,500,000</b>	<b>100.00</b>

### 8. *Capital Increase in November 2023*

On November 7, 2023, the then Shareholders of our Company resolved to increase the share capital of our Company from 136,500,000 Shares to 142,642,500 Shares with registered capital of our Company increased from RMB136.5 million to RMB142,642,500. The three subscribers, including Xiamen Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (廈門黑蟻三號股權投資合夥企業 (有限合夥)) (formerly known as Suzhou Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (蘇州黑蟻三號股權投資合夥企業 (有限合夥))) (“**Xiamen Heiyi**”), Suzhou Yimei Investment Partnership (Limited Partnership) (蘇州逸美創業投資合夥企業 (有限合夥)) (“**Suzhou Yimei**”) and Fosun Hanxing (Hangzhou) Equity Investment Fund L.P. (Limited Partnership) (復星漢興 (杭州) 股權投資基金合夥企業 (有限合夥)) (“**Fosun Hanxing**”), subscribed for the increased share capital of 6,142,500 Shares at a total consideration of RMB225 million (the “**Nov-2023 Capital Increase**”).

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The respective subscription amount and consideration for each subscribers were as follows:

<u>Subscribers</u>	<u>Number of Shares subscribed for</u>	<u>Consideration</u>	<u>Corresponding approximate equity interest in our Company (upon completion of the Nov-2023 Capital Increase)</u>
		<i>(RMB)</i>	<i>(%)</i>
Xiamen Heiyi . . . . .	2,655,800	97,282,100	1.86
Suzhou Yimei . . . . .	2,121,700	77,717,900	1.49
Fosun Hanxing . . . . .	1,365,000	50,000,000	0.96
<b>Total . . . . .</b>	<b>6,142,500</b>	<b>225,000,000</b>	<b>4.31</b>

Upon the completion of such capital increase on November 9, 2023, the shareholding of our Company was as follows:

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Approximate equity interest</u>
		<i>(%)</i>
Hongqiao Jinji . . . . .	56,101,300	39.33
Mr. Xu . . . . .	31,934,400	22.39
Mr. Chen . . . . .	15,072,900	10.57
Mr. XU Dongbo . . . . .	14,319,200	10.04
Tianjin Jincheng . . . . .	9,284,900	6.51
Tianjin Jinji . . . . .	4,351,000	3.05
Xiamen Heiyi . . . . .	2,655,800	1.86
Tianjin Jindi . . . . .	2,592,500	1.82
Suzhou Yimei . . . . .	2,121,700	1.49
Tianjin Jinyong . . . . .	1,587,700	1.11
Fosun Hanxing . . . . .	1,365,000	0.96
Tianjin Jinli . . . . .	1,256,100	0.88
<b>Total . . . . .</b>	<b>142,642,500</b>	<b>100.00</b>

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### JOINT-CONTROL CONFIRMATION

On November 8, 2023, Mr. Xu and Mr. Xu Dongbo entered into a joint-control confirmation, pursuant to which Mr. Xu and Mr. Xu Dongbo confirmed that they have jointly controlled the management and operation of our Group since the establishment of our Company, and will continue to jointly control the management and operation of our Group. They had agreed to consult with each other and reach a unanimous consensus between themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group and if there is any disagreement between them in respect of the operation and management of our Group, the decisions of Mr. Xu shall prevail. Therefore, Mr. Xu and Mr. Xu Dongbo are deemed to be concert parties who have been and will continue to act in concert in the management and operation of our Group.

### STOCK INCENTIVE PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, pursuant to the stock incentive scheme approved and adopted by our Shareholders' meeting on October 11, 2018 (the "**Stock Incentive Plan**"), in 2018 and 2019, Tianjin Jincheng, Tianjin Jinji, Tianjin Jinyong and Tianjin Jinli were established in the PRC as stock incentive platforms to implement the Stock Incentive Plan. Since the implementation of the Stock Incentive Plan, our Company granted several rounds of awards to the participants in November 2018, February 2019, May 2019, and October 2023, respectively. The participants of the Stock Incentive Plan shall become limited partners of the stock incentive platforms upon registration of their interests. The capital contribution made by the selected participants to the stock incentive platforms shall be sourced from their own funds.

Separately, to recognize contribution and support to the group of Controlling Shareholders' early business by Stationery Culture's then employees, Mr. Xu transferred part of his equity interests in our Company to Tianjin Jindi in November 2018. Same as the other four stock incentive platforms, the then selected employees of Stationery Culture became limited partners of the stock incentive platforms and had made their respective capital contribution.

All management powers of the five stock incentive platforms including Tianjin Jindi shall reside with the respective general partner. Hongqiao Jinji was appointed as the initial general partner for holding and managing the interests in each of stock incentive platforms since their respective establishment. To facilitate the management and future trading of the underlying Shares of the awards, along with the last round of grant of awards pursuant to the Stock Incentive Plan through transferring Hongqiao Jinji's equity interests in the relevant stock incentive platforms to selected employees of Group in October 2023, certain participants' interests were transferred and adjusted among the stock incentive platforms and a participant representative has been elected as a new general partner by all participants in each stock incentive platform other than Tianjin Jincheng to replace Hongqiao Jinji. Details of each stock incentive platform as of the Latest Practicable Date are set forth below.

### **Tianjin Jincheng**

Tianjin Jincheng was established in the PRC as a limited partnership on August 22, 2018. As of the Latest Practicable Date, Tianjin Jincheng had 40 limited partners, including Mr. FENG Jianjun (馮建軍) (an executive Director and deputy general manager of our Company) holding approximately 6.60% of the limited partnership interests in Tianjin Jincheng, Mr. XU Rui (徐銳) (an executive Director and general manager of the business department of our Company) holding approximately 5.38% of the limited partnership interests in Tianjin Jincheng, Mr. JIANG Xia (蔣霞) (an executive Director of our Company and the supervisor of Yueyang Laopu) holding approximately 6.45% of the limited partnership interests in Tianjin Jincheng, Ms. PENG Liuhua (彭柳華) (chairperson of the Supervisory Committee and the employee representative Supervisor of our Company) holding approximately 4.30% of the limited partnership interests in Tianjin Jincheng, Ms. XIAO Yanhui (肖豔輝) (a Supervisor of our Company) holding approximately 4.30% of the limited partnership interests in Tianjin Jincheng, Mr. SUI Wu (隋武) (a Supervisor of our Company) holding approximately 1.32% of the limited partnership interests in Tianjin Jincheng, Mr. ZHOU Yingnian (周應年) (the director and general manager of Yueyang Laopu) holding approximately 6.45% of the limited partnership interests in Tianjin Jincheng and two of their close associates (holding approximately 2.76% and 4.84% of the limited partnership interests in Tianjin Jincheng, respectively, both of them are also employees of our Group) and 31 other employees of our Group, all of which were Independent Third Parties. None of the limited partners of Tianjin Jincheng, together with their respective associates, are interested in 30% or more of the limited partnership interests in Tianjin Jincheng. Hongqiao Jinji is the general partner of Tianjin Jincheng. Thus, in effect, all management powers and voting rights of Tianjin Jincheng reside with Hongqiao Jinji. As of the Latest Practicable Date, all awards corresponding to the underlying Shares held by Tianjin Jincheng in our Company have been granted and vested and no further underlying Shares of the awards held by Tianjin Jincheng will be granted to the individual grantees before the Listing.

### **Tianjin Jinji**

Tianjin Jinji was established in the PRC as a limited partnership on August 22, 2018. As of the Latest Practicable Date, Tianjin Jinji had 36 limited partners, all of which were employees or former employee of our Group and the Independent Third Parties. Among the 36 limited partners, each of YU Bin (余斌) (our sales director of Central China), ZHANG Youkai (張有開) (our recruitment director) and FANG Shiqiang (方仕強) (our administration director) is interested in 10% or more of the limited partnership interests in Tianjin Jinji. None of the limited partners of Tianjin Jinji, together with their respective associates, are interested in 30% or more of the limited partnership interests in Tianjin Jinji. LIU Qiong (劉瓊), the customer service director of our Company and an Independent Third Party, is the general partner of Tianjin Jinji. Thus, in effect, all management powers and voting rights of Tianjin Jinji reside with LIU Qiong. As of the Latest Practicable Date, all awards corresponding to the underlying Shares held by Tianjin Jinji in our Company have been granted and vested.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### **Tianjin Jinyong**

Tianjin Jinyong was established in the PRC as a limited partnership on April 22, 2019. As of the Latest Practicable Date, Tianjin Jinyong had 36 limited partners, all of which were employees of our Group and Independent Third Parties. None of the limited partners of Tianjin Jinyong, together with their respective associates, are interested in 30% or more of the limited partnership interests in Tianjin Jinyong. MA Le (馬樂), the senior manager of supply chain management of our Company and an Independent Third Party, is the general partner of Tianjin Jinyong. Thus, in effect, all management powers and voting rights of Tianjin Jinyong reside with MA Le. As of the Latest Practicable Date, all awards corresponding to the underlying Shares held by Tianjin Jinyong in our Company have been granted and vested.

### **Tianjin Jinli**

Tianjin Jinli was established in the PRC as a limited partnership on December 11, 2018. As of the Latest Practicable Date, Tianjin Jinli had one limited partner, Ms. XIE Xiaofen (謝曉芬) who is an employee of our Group and an Independent Third Party. LIU Zhi (劉志), the finance manager of our Company and an Independent Third Party, is the general partner of Tianjin Jinli. Thus, in effect, all management powers and voting rights of Tianjin Jinli reside with LIU Zhi. As of the Latest Practicable Date, all awards corresponding to the underlying Shares held by Tianjin Jinli in our Company have been granted and vested.

### **Tianjin Jindi**

Tianjin Jindi was established in the PRC as a limited partnership on August 22, 2018 as a stock incentive platform for the purpose of recognizing the support from the then employees of Stationery Culture to the group of Controlling Shareholders' early business. As confirmed by our Company, there had been no sharing of resources (including, without limitation, staff) between our Group and Stationery Culture which had not been fully recharged to the respective parties during the Track Record Period. Upon the recent adjustment among the stock incentive platforms made in October 2023, as of the Latest Practicable Date, Tianjin Jindi had 24 limited partners and all of them were employees or former employees of Stationery Culture and employees of our Group and were the Independent Third Parties. Among the 24 limited partners, XU Wei (徐巍) (manager of Stationery Culture) is interested in 10% or more of the limited partnership interests in Tianjin Jindi. None of the limited partners of Tianjin Jindi, together with their respective associates, are interested in 30% or more of the limited partnership interests in Tianjin Jindi. WANG Jianming (王建明), the audit manager of Stationery Culture and an Independent Third Party, is the general partner of Tianjin Jindi. Thus, in effect, all management powers and voting rights of Tianjin Jindi reside with WANG Jianming. As of the Latest Practicable Date, all awards corresponding to the underlying Shares held by Tianjin Jindi in our Company have been granted and vested.

As of the Latest Practicable Date, all awards under the Stock Incentive Plan have been fully granted and vested. All capital contribution in relation the awards granted in Tianjin Jincheng, Tianjin Jindi, Tianjin Jinji, Tianjin Jinli and Tianjin Jinyong have been fully settled by the relevant participants.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### PRE-IPO INVESTMENTS

#### Overview

During the period from November 2017 to November 2023, our Company obtained several rounds of investments, including Nov-2017 Capital Increase, May-2018 Capital Increase and Nov-2023 Capital Increase, from the Pre-IPO Investors through subscriptions for increased registered capital of our Company. For further details, see the subsection headed “Corporate Development and Shareholding Changes of Our Company — Subsequent Capital Changes and Equity Transfers of Our Company” in this section.

#### Principal Terms of the Pre-IPO Investments

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Nov-2017 Capital Increase	May-2018 Capital Increase <sup>(1)</sup>	Nov-2023 Capital Increase
Amount of consideration paid (RMB) . . . . .	30,000,000	11,250,000	225,000,000
Date of payment of full consideration . . . . .	November 9, 2017	June 29, 2018	November 9, 2023
Post-money valuation of our Company (RMB) ( <i>approximation</i> ) . . . . .	150,000,000 <sup>(2)</sup>	537,480,000 <sup>(3)</sup>	5,225,000,000 <sup>(4)</sup>
Date of agreements . . . . .	September 11, 2017	March 30, 2018	November 7, 2023
Cost per Share paid under the Pre-IPO Investments (RMB) ( <i>approximation</i> ). . . . .	2.40	4.50	36.63
Discount to the Offer Price <sup>(5)</sup> ( <i>approximation</i> ) . .	93.49%	87.80%	0.67%
Basis of determination of the valuation and consideration . . . . .	The valuation and consideration for each round of the Pre-IPO Investments were determined based on arm’s length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the business, operations and status of our business and operating entities.		
Lock-up period . . . . .	Pursuant to the applicable PRC law, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them within 12 months following the Listing Date.		
Use of proceeds from the Pre-IPO Investments . .	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Company, including but not limited to the growth and expansion of our Company’s business and general working capital purposes. As of the Latest Practicable Date, all the proceeds from the Pre-IPO Investments had been utilized for expansion of our Company’s business and general working capital purposes.		



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	<u>Nov-2017 Capital Increase</u>	<u>May-2018 Capital Increase<sup>(1)</sup></u>	<u>Nov-2023 Capital Increase</u>
Strategic benefits to our Company brought by the Pre-IPO Investors . . . . .			
			At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional funds provided by the Pre-IPO Investors' investments in our Company and the knowledge and experience of the Pre-IPO Investors. Our Pre-IPO Investors include professional institutional investors with comprehensive investment experiences in consumer industry which can provide us with professional advice on our Group's development (including strategy planning and acquisitions) and our corporate governance (including financial management and talent development). The Pre-IPO Investments also demonstrate the Pre-IPO Investors' confidence in the business and operation of our Company.

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*Notes:*

- (1) The capital increase contributed by Mr. Xu and Hongqiao Jinji were not included in the above table. For details of the May-2018 Capital Increase, please see “— Corporate Development and Shareholding Changes of Our Company — Subsequent Capital Changes and Equity Transfers of Our Company — 3. Capital Increase in May 2018” of this section.
- (2) The amounts settled under the Nov-2017 Capital Increase were based on arm's length negotiations, which were primarily affected by, among others, the negotiations with Mr. Chen back in April 2017 when the business prospects of our Company was at an early development stage, which in turn reflected the investment risks assumed by the relevant Pre-IPO Investor, including the limited number of boutiques operated by us at early development stage. Thus Mr. Chen invested our Group as a strategic investor.
- (3) The amounts settled under the May-2018 Capital Increase were based on arm's length negotiations, which were primarily affected by, among others, the opening of more boutiques during the period between April 2017 and May 2018, which in turn reflected the then business prospects, results of operation and financial condition of our Group.
- (4) The amounts settled under the Nov-2023 Capital Increase were based on arm's length negotiations, which were primarily affected by, among others, reference to the prevailing valuation of other comparable companies listed on the Stock Exchange at the material time, which in turn reflects lower investment risks of the relevant Pre-IPO Investors.
- (5) Assuming the Offer Price is HK\$40.50 per Share and the indicative exchange rate is HK\$1.00 = RMB0.91059.

### **Pre-IPO Investors' Rights**

Pursuant to the capital increase agreements during the Pre-IPO Investments, the Pre-IPO Investors had been granted certain special rights, including, among others, divestment rights, information rights, pre-emptive right, right of co-sale, anti-dilution right, veto rights for certain corporate actions and preferred liquidation right. Pursuant to the supplemental Pre-IPO Investments agreements dated May 18, 2020 and March 1, 2022 entered into and among relevant Shareholders and as confirmed by our Directors, all special rights granted to the then Pre-IPO Investor for the Nov-2017 Capital Increase and the May-2018 Capital Increase have been terminated. Pursuant to the shareholders agreement dated November 7, 2023 entered into and among relevant Shareholders and as confirmed by our Directors, save for the divestment rights which was terminated before the date of our first submission of the Listing application to the Stock Exchange, all the special rights granted to the Pre-IPO Investors for the Nov-2023 Capital Increase will be terminated prior to the Listing.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### Information About the Pre-IPO Investors

The background information of our Pre-IPO Investors is set out below.

#### *Mr. Chen*

- Mr. Chen is an individual investor, who has made investments in other industries such as real estates, IT and biotech. Mr. Chen served as a director of Raycom Holdings Limited (融科智地控股有限公司) and a director and the general manager of Legend Shenzhen Science and Technology Park Limited (深圳市聯想科技園有限公司), both of which are subsidiaries of Legend Holdings Corporation (聯想控股股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3396).

#### *Xiamen Heiyi and Suzhou Yimei*

- Xiamen Heiyi is a limited partnership incorporated in the PRC with Gongqingcheng Yiyuan Investment Partnership (Limited Partnership) (共青城逸源投資合夥企業(有限合夥)) (“**Gongqingcheng Yiyuan**”) (currently known as Xiamen Yiyuan Investment Partnership (Limited Partnership) (廈門逸源投資合夥企業(有限合夥))) as its general partner and more than 20 limited partners. None of the limited partners, together with their associates, are interested in 30% or more of the limited partnership interests in Xiamen Heiyi. Xiamen Heiyi invests in high growth enterprises in consumer section, especially those with innovative business models and high market potential in the PRC and global markets.
- Suzhou Yimei is a limited partnership incorporated in the PRC with Gongqingcheng Yiyuan as its general partner. BA HM Hong Kong Limited, which holds approximately 98.43% interests of Suzhou Yimei as one of its limited partners is controlled by BA Capital Fund III, L.P. (“**BA Capital Fund**”) and the general partner of BA Capital Fund is BA Capital Limited, which is ultimately controlled by Mr. HE Yu. The remaining limited partnership interest is held by Ant View Hong Kong Limited, which is also ultimately controlled by Mr. HE Yu. BA Capital Fund is a private equity investment fund investing in high growth consumer brands with innovative business model and high market potential in China and global markets. It has BA Capital Limited as its general partner and more than 30 limited partners. These limited partners of BA Capital Fund are mostly institutional investors, including leading global asset management funds, renowned consumer corporates and family offices. None of these limited partners holds more than 30% of equity interests in BA Capital Fund.
- Gongqingcheng Yiyuan is the general partner of Xiamen Heiyi and Suzhou Yimei. Each of Gongqingcheng Yiyuan, Xiamen Heiyi and Suzhou Yimei is ultimately controlled by Mr. HE Yu. Mr. He has extensive private equity experience in consumer industry. Mr. He founded and served as the managing partner of Shenzhen Qianhai Heiyi Innovation Investment Partnership (Limited Partnership) (深圳前海黑蟻創新投資合夥企業(有限合夥)) since February 2016 and led investments in a number of leading consumer companies, including Pop Mart International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 9992) (“**Pop Mart**”), Giant Biogene Holding Co., Ltd, a company listed on the Main Board of the Stock Exchange (stock code:

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2367) and Guangdong Yuanji Food Co., Ltd. (廣東省袁記食品集團有限公司). He has been a non-executive director of Pop Mart since May 2019. To the best knowledge of the Directors, each of Xiamen Heiyi and Suzhou Yimei and their respective ultimate beneficial owners is an Independent Third Party.

### *Fosun Hanxing*

- Fosun Hanxing is a limited partnership established in the PRC, whose general partner is Fosun Chuangfu (Hangzhou) Enterprise management L.P. (Limited Partnership) (復星創富(杭州)企業管理合夥企業(有限合夥)). Fosun Hanxing is ultimately controlled by Shanghai Yuyuan Tourism Mall Group Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600655). Fosun Hanxing focuses on equity and equity-related investments in the fields of consumer technology. To the best knowledge of the Directors, each of Fosun Hanxing and its ultimate beneficial owner is an Independent Third Party.

### **Compliance With Guide for New Listing Applicants**

On the basis that (i) the Listing Date, being the first day of trading of our H Shares on the Stock Exchange will take place more than 120 clear days after the completion of the Pre-IPO Investments; (ii) save for the divestment rights granted to the Pre-IPO Investors which ceased to be effective before the date of our first submission of the Listing application to the Stock Exchange, all the special rights granted to the Pre-IPO Investors will be terminated prior to the Listing, the Sole Sponsor confirms that the Pre-IPO Investments as described above are in compliance with the guidance in Chapter 4.2 of the Guide for New Listing Applicants published by the Stock Exchange effective from January 1, 2024.

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

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

### **COMPLIANCE WITH LAWS AND REGULATIONS**

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

As advised by our PRC Legal Advisors, our Company has obtained relevant approvals or confirmation and has registered or filed with the relevant competent authorities (where applicable) in accordance with the relevant laws and regulations in respect of its establishment and subsequent transfers of equity interests, including the Pre-IPO Investments as referred to above, and changes in registered capital (where applicable), and the establishment of our Company and subsequent transfers of equity interests and changes in registered capital (where applicable) are effective and legally binding.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### FULL CIRCULATION

Our Company has applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of 69,050,660 Unlisted Shares held by 12 existing Shareholders (i.e. 22,440,520 Unlisted Shares being held by Hongqiao Jinji, 12,773,760 Unlisted Shares being held by Mr. Xu, 7,536,450 Unlisted Shares being held by Mr. Chen, 5,727,680 Unlisted Shares being held by Mr. Xu Dongbo, 4,642,450 Unlisted Shares being held by Tianjin Jincheng, 4,351,000 Unlisted Shares being held by Tianjin Jinji, 2,592,500 Unlisted Shares being held by Tianjin Jindi, 1,587,700 Unlisted Shares being held by Tianjin Jinyong, 1,256,100 Unlisted Shares being held by Tianjin Jinli, 2,655,800 Unlisted Shares being held by Xiamen Heiyi, 2,121,700 Unlisted Shares being held by Suzhou Yimei and 1,365,000 Unlisted Shares being held by Fosun Hanxing), representing approximately 42.60% of total issued Share capital of our Company upon the completion of the conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Save as disclosed in this prospectus and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their Unlisted Shares. See “Share Capital” in this prospectus for further details.

### PUBLIC FLOAT

The 111,639,800 Shares held by Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng, representing approximately 78.27% of our total issued Shares of our Company before the Listing, or approximately 68.87% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 66.31% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full, will not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules as these Shareholders will constitute core connected persons of our Company upon the Listing, the Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing. The 7,536,450 Unlisted Shares held by Mr. Chen, representing approximately 5.28% of our total issued Shares before the Listing, or approximately 4.65% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 4.48% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full, will not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules as these Shares are Unlisted Shares which will not be converted into H Shares and listed upon completion of the Global Offering.

The 23,466,250 Unlisted Shares held by Mr. Chen, Tianjin Jinji, Tianjin Jindi, Tianjin Jinyong, Tianjin Jinli, Xiamen Heiyi, Suzhou Yimei and Fosun Hanxing representing 16.45% of our total issued Shares of our Company before the Listing, or approximately 14.48% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 13.94% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full, will

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be converted into H Shares and listed upon completion of the Global Offering. As these Shareholders will not be core connected persons of our Company upon Listing, are not accustomed to take instructions from core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of their Shares, and their acquisition of Shares were not financed directly or indirectly by core connected persons of our Company, the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

Based on the above, it is expected that immediately following completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the total number of listed H Shares of our Company held by the public represents approximately 26.48% of the total number of issued Shares of our Company. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

### CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):

Shareholders	As of the Latest Practicable Date			Immediately upon completion of the Global Offering		
	No. of Shares	Description of Shares	Approximate ownership percentage	Number of Shares	Description of Shares	Approximate ownership percentage <sup>1</sup>
Hongqiao Jinji . . . . .	56,101,300	Unlisted Shares	39.33%	33,660,780	Unlisted Shares	34.61%
Mr. Xu . . . . .	31,934,400	Unlisted Shares	22.39%	22,440,520	H Shares	
Mr. Xu Dongbo . . . . .	14,319,200	Unlisted Shares	10.04%	19,160,640	Unlisted Shares	19.70%
Tianjin Jincheng . . . . .	9,284,900	Unlisted Shares	6.51%	12,773,760	H Shares	
Tianjin Jinji . . . . .	4,351,000	Unlisted Shares	3.05%	8,591,520	Unlisted Shares	8.83%
Tianjin Jindi . . . . .	2,592,500	Unlisted Shares	1.82%	5,727,680	H Shares	
Tianjin Jinyong . . . . .	1,587,700	Unlisted Shares	1.11%	4,642,450	Unlisted Shares	5.73%
Tianjin Jinli . . . . .	1,256,100	Unlisted Shares	0.88%	4,642,450	H Shares	
				4,351,000	H Shares	2.68%
				2,592,500	H Shares	1.60%
				1,587,700	H Shares	0.98%
				1,256,100	H Shares	0.77%

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Shareholders	As of the Latest Practicable Date			Immediately upon completion of the Global Offering		
	No. of Shares	Description of Shares	Approximate ownership percentage	Number of Shares	Description of Shares	Approximate ownership percentage <sup>1</sup>
<i>Pre-IPO Investors</i>						
Mr. Chen . . . . .	15,072,900	Unlisted Shares	10.57%	7,536,450	Unlisted Shares	9.30%
Xiamen Heiyi . . . . .	2,655,800	Unlisted Shares	1.86%	7,536,450	H Shares	
Suzhou Yimei . . . . .	2,121,700	Unlisted Shares	1.49%	2,655,800	H Shares	1.64%
Fosun Hanxing . . . . .	1,365,000	Unlisted Shares	0.96%	2,121,700	H Shares	1.31%
<b>Subtotal . . . . .</b>	<b>142,642,500</b>	<b>–</b>	<b>100%</b>	<b>73,591,840</b>	<b>Unlisted Shares</b>	<b>88.00%</b>
				<b>69,050,660</b>	<b>H Shares</b>	
Public Shareholders . . . . .	–	–	–	19,451,300	H Shares	12.00%
<b>Total . . . . .</b>	<b>142,642,500</b>	<b>–</b>	<b>100%</b>	<b>162,093,800</b>	<b>–</b>	<b>100%</b>

*Notes:*

- 1 The calculation is based on the total number of 73,591,840 Unlisted Shares and 88,501,960 H Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares to may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

### PREVIOUS A-SHARE LISTING ATTEMPTS

Our Company engaged Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) (“**Huatai**”) as our sponsor and submitted our application for listing of our shares (the “**A-share Listing Attempt**”) on the main board of the Shenzhen Stock Exchange (the “**SZSE**”) to the CSRC in June 2020. In August 2021, upon CSRC’s review, our A-share Listing Attempt was not approved. Based on the decision of disapproval for the listing application of Laopu Gold Co., Ltd. (《關於不予核准老鋪黃金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 major concerns and reasons of CSRC for disapproving our Company’s A-share Listing Attempt were (i) the necessity and fairness in pricing of our Company’s continuing transactions with Stationery Culture, a company controlled by the Controlling Shareholders, after we had acquired the business of Golden Treasury; (ii) the reasonableness of our Company’s significantly higher gross profit margin as compared to other market comparables; and (iii) the reasonableness for fund transfers between our related party and a management personnel and the external manufacturers (the “**CSRC Comments**”).



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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In February 2022, we engaged China Securities Co., Ltd. (中信建投證券股份有限公司) (“China Securities”) as our sponsor for the proposed second A-share Listing Attempt on the SZSE and received the notice on the completion of pre-listing tutoring from the Beijing office of the CSRC (中國證券監督管理委員會北京監管局) in June 2023 which did not constitute a listing approval for the proposed second A-share Listing Attempt by itself. Our Company submitted our second A-share Attempt in June 2023 and subsequently withdrew it in late July 2023. Nonetheless, taking into account the then development of various capital markets and our Company’s view that listing in international equity market will further raise our profile and market awareness worldwide, thus increasing our competitiveness, we did not continue our second A-share Listing Attempt in July 2023 and engaged the Sole Sponsor as sponsor for the Listing application on the Stock Exchange in August 2023. As confirmed by our Company, there was no disagreement or dispute between us and any of professional parties involved in the two previous A-share Listing Attempts. Based on the Sole Sponsor’s due diligence work including, amongst others, (a) reviewing materials submitted to the CSRC on the previous A-share Listing Attempts; (b) reviewing publicly available information relating to the previous A-share Listing Attempts; and (c) conducting interviews with the Company and certain professional parties engaged in connection with the previous A-share Listing Attempts, the Sole Sponsor is not aware of any disagreement or dispute between the Company and any of the professional parties involved in the previous A-share Listing Attempts.

Our Directors are of the view that the CSRC Comments are no longer applicable or relevant to the Listing, or render our Company not suitable for Listing, having considered:

### **Continuing Transactions with Stationery Culture**

For the continuing transactions with Stationery Culture, our Company purchased gold materials and products in an aggregate amount of approximately RMB1.01 million in March 2018. In addition, our Company had consignment services arrangement with Stationery Culture during the years 2017 and 2018 with total consignment fee of approximately RMB1.58 million.

Since the incorporation of our Company and the completion of the business restructuring with Golden Treasury in December 2016, while Stationery Culture engaged in stationery and furniture retail business, the products sold by them used to include a few gold artifacts. To delineate our business and that of Stationery Culture and to avoid potential competition with Stationery Culture, our Company purchased the remaining inventories of gold materials and products from Stationery Culture in 2018 with reference to the book value of such inventories.

As Stationery Culture engaged in retail business with its own store and in order to increase the exposure of our own brand, it used to provide consignment services to our Company to sell a small amount of our Company’s products in its store with consignment services fees which were charged based on arm’s length negotiations in 2017 and early 2018. Such services provided by Stationery Culture had been terminated since March 2018 while our Company had fast developed our own marketing, promotion and sales channels.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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To avoid potential competition with our Group and prepare for the first A-share Listing Attempt, Stationery Culture had not engaged in gold jewelry business and had primarily focused on the retail business of furniture, four treasures of study (文房四寶) and calligraphy and painting since January 2019 upon obtained its revised business license. All the continuing related party transactions between our Group and Stationery Culture had been terminated since then. There were no such continuing transactions with related parties during the Track Record Period and up to the date hereof.

### **Higher Gross Profit Margin of our Company**

In the first A-share Listing Attempt, the CSRC questioned the reasonableness of our “significantly higher” gross profit margin (which was an average of 38.6% during the then track record period) as compared to “other market comparables” (i.e., the nine companies disclosed in the application materials of the first A-share Listing Attempt with an average gross profit margin ranging from 22.1% to 26.5% during the then track record period). These companies were selected as the Company’s “market comparables” in the application materials of the first A-share Listing Attempt, primarily because they were A-share listed companies with financial information publicly available at that time. However, due to their individual characteristics and circumstances, we believe that these companies do not have exactly the same business model or positioning as us. Our higher gross profit margin as compared to these companies is commercially justifiable after considering a combination of factors as explained below.

In terms of brand positioning, according to Frost & Sullivan, when evaluating whether a brand is “high-end”, it primarily looks into such brand’s reputation among industry veterans, and among such brand’s target customers. From this perspective, Frost & Sullivan believes that objective factors such as whether a brand can successfully enter into high-end shopping malls with stringent entry requirements, and whether the brand is well-regarded by a large number of high net-worth individuals, are meaningful indicators to evaluate a brand’s positioning. As compared with jewelry brands selected under these standards, our gross profit margin was generally in line with (instead of significantly higher than) our industry peers that have a similar brand positioning, according to Frost & Sullivan.

In terms of business model, according to Frost & Sullivan, jewelry brands that adopt the self-operation model generally have higher gross profit margin than that of franchise model, primarily because under the franchise model, franchisors will sell products to the franchisees at a lower price than they sell directly to end customers so that the franchisees may gain a reasonable profit. As a result, assuming the same costs of sales, the gross profit margin for products sold under self-operation model will be naturally higher than those sold under franchise model. As our Company incurred a higher level of operating expenses as a result of our fully self-operated model, such as high leasing fee and commission arising from our retail outlet located in the prime commercial centers in order to match our image, the net profit margin of our Company is relatively more comparable to that of our peers.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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In terms of product mix, according to Frost & Sullivan, heritage gold jewelry generally has higher gross profit margin than other gold jewelry, primarily because it exhibits a higher level of craftsmanship complexity and usually has higher selling prices than other gold jewelry; and among heritage gold jewelry, gem-set jewelry generally has higher gross profit margin than jewelry made of pure gold only, primarily because consumers are willing to pay a premium for gem-set heritage gold jewelry that combines the richness of gold with the allure of gemstones. Accordingly, as a company focused on offering heritage gold jewelry with gem-set jewelry contributing to almost half of our total sales revenue, it is commercially justifiable for our Company to have a higher gross profit margin as compared to other gold jewelry brands who only have a small portion of heritage gold jewelry and/or gem-set jewelry in their product portfolios. In fact, the gross profit margins of our products were also generally in line with (instead of significantly higher than) the gross profit margins of the similar types of products offered by our industry peers, according to Frost & Sullivan.

For details of our gross profit margin, see “Financial Information — Results of Operations” in this prospectus.

### **Fund Transfers between the Related Party and Management Personnel of our Group and our External Manufacturers**

- (a) the historical transactions were carried out on an ad hoc basis and had terminated since June 2020. The transactions mainly involved (i) financial assistance of approximately RMB6.0 million provided to Shenzhen Fuyuan Gongfang Culture Development Co., Ltd. (深圳市福緣工場文化發展有限公司), an external manufacturer of our Company (“**Fuyuan Gongfang**”) by Stationery Culture in December 2018 with annual interest rate of 2.75% (which was based on arms-length negotiation and in line with the market rates) which were fully repaid on time with interests as agreed in June 2020; (ii) financial assistance of approximately RMB9.0 million and RMB4.0 million provided to an external manufacturer of our Company (the “**External Manufacturer A**”) by Stationery Culture in December 2018 and March 2019, respectively, with annual interest rate of 2.75% (which was based on arms-length negotiation and in line with the market rates), which were fully repaid on time with interests as agreed in February 2019 and December 2019, respectively; and (iii) a management personnel who is in charge of manufacturing activities, Mr. Zhou Yingnian (周應年) (“**Mr. Zhou**”), upon requests from his acquaintances including representatives of External Manufacturer A and another external manufacturer of our Company (the “**External Manufacturer B**”) and certain individuals which are Independent Third Parties (the “**Independent Individuals**”, collectively with representatives of the External Manufacturers A and B, “**Zhou’s Acquaintances**”) to do a personal favor, acted as an escrow agent to temporarily hold the aggregate transaction amounts of approximately RMB3.34 million in escrow for Zhou’s Acquaintances dealing with each other in their respective transactions of sales and purchase of gold materials among Zhou’s Acquaintances for their own business and were irrelevant to our Group and our business during the period between October 2017 and October 2018. Save for the above-mentioned transactions, Mr. Zhou did not act as escrow agent for any other transactions among our Group’s related parties, suppliers and customers during the Track Record Period and up to the Latest Practicable Date;

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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- (b) the above-mentioned financial assistance to Fuyuan Gongfang and External Manufacturers A from Stationery Culture were made to facilitate the external manufacturers to alleviate their temporary working capital shortfalls after considering the long-standing business relationships with these external manufacturers. As advised by our PRC Legal Advisors, according to the General Lending Provisions (《貸款通則》), any financing arrangements or lending transactions between non-financial institutions is prohibited and the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisors further advised that notwithstanding the Provisions on Several Issues concerning the Application of Law in the Trial of Private Lending Cases by the Supreme People’s Court of the PRC (Revised for the Second Time in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》(2020年第二次修正)) (the “**Judicial Interpretations of Private Lending**”), the Supreme People’s Court recognizes the validity of financing arrangements and lending transactions between non-financial institutions so long as such agreements are for business operation purposes and do not fall in to certain situations (including violation of mandatory laws or administrative regulations, violation of public order and good customs, malicious collusion to damage the legitimate rights and interests of third parties, etc.) stipulated in the Civil Code and the Judicial Interpretations of Private Lending. As advised by our PRC Legal Advisors, the financial assistance between Stationery Culture and the external manufacturers as mentioned above are for business operation purposes, and do not fall into the above-mentioned situations which lead to the invalidation of such loan agreements. Our PRC Legal Advisors are of the view that given the above-mentioned transactions were carried out by Stationery Culture, the risk of our Company being imposed with such penalty under the General Lending Provisions is remote;
- (c) the escrow arrangements between Mr. Zhou and Zhou’s Acquaintances were purely personal affairs of Mr. Zhou, based on their friendship and Mr. Zhou’s extensive experience and reputation in the industry. Mr. Zhou became acquainted with Zhou’s Acquaintances through daily business communication. Mr. Zhou happened to know the representative of the External Manufacturer B had surplus gold materials to sell. Due to his extensive experience in the industry, Mr. Zhou was familiar with market demands in different cities and became aware of that the representative of the External Manufacturer A and the Independent Individuals had the intentions to purchase gold materials. Thus, as a personal favor, Mr. Zhou informed Zhou’s Acquaintances about the above information. Given Zhou’s Acquaintances (as the vendor and purchasers of such gold materials) were located in different cities and were not familiar with each other and relevant local market conditions, in order to ensure the safety of the gold materials and manage counter-party risks, and considering Mr. Zhou’s extensive experience and reputation in the industry (i.e. at the time of the escrow arrangements, Mr. Zhou has over 10 years’ experience in procurement and production management in gold jewelry industry, through which he had gained extensive knowledge of the market conditions and became familiar with those external manufacturers. He was also well-recognized in the industry. Mr. Zhou was one of the drafters of the group standards for “Heritage Gold Artifact” (《古法金飾品》團體標準) and “Heritage Gold Artifact with Diamonds” (《古法金鑲嵌鑽石飾品》團體標準)

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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published by the China Gold Association (中國黃金協會). Mr. Zhou also served as a member of the National Technical Committee 379 on Gold of Standardization Administration of China (全國黃金標準化技術委員會) and an observer of the National Technical Committee 256 on Jewelry of Standardization Administration of China (全國首飾標準化技術委員會), Mr. Zhou was asked to do a personal favor and be an escrow agent for the transactions. Considering that the relevant transaction parties were his acquaintances, the funds would only be held for a very short period of time (i.e. usually not more than two days) by him and no his own fund would be involved, Mr. Zhou believed that the risk for him to acting as an escrow agent was remote. Thus, Mr. Zhou agreed to do such personal favor. Mr. Zhou did not receive any benefits arising from such arrangements. Further, our internal control policies do not allow our staff to carry out any side business and receive benefits accordingly. As there were no further needs for the sales of gold material among Zhou's Acquaintances, no such escrow arrangement was requested for the transactions between (i) representatives of the External Manufacturers A and B since late October 2018 and (ii) representative of the External Manufacturer B and the Independent Individuals since late June 2018, respectively. Mr. Zhou has been the manager of production department of our Company and director and general manager of our subsidiary Yueyang Laopu, responsible for procurement and outsourced production during the Track Record Period and up to the Latest Practicable Date. Although such escrow arrangements were irrelevant to our Group and our businesses, our Company implemented internal disciplinary policy reinforcing our internal control policies in October 2020 to prevent the re-occurrence of such arrangements or similar nature made by our management or employees;

- (d) Fuyuan Gongfang was one of our top five suppliers for each year comprising the Track Record Period with the transaction amount of approximately RMB16.0 million, RMB13.1 million and RMB38.8 million, in 2021, 2022 and 2023, respectively. The External Manufacturer A was one of our suppliers during the period from 2020 to 2022 and ceased to be our supplier in 2023 as we decided to engage another external manufacturer which was more competitive in terms of, among others, industry reputation and scope of services would be provided. The External Manufacturer B was our supplier only in 2020 and 2021 and had ceased to be our supplier since 2022 as our Company became aware of that the External Manufacturer B decided not to primarily focus on manufacturing of jewelry but started retail business which could not meet our requirements for an external manufacturer and may have potential business competition with our Company. The transaction amount of each of the External Manufacturers A and B accounted no more than 0.7% of the Group's total purchase amount in each of the year/period during the Track Record Period. We determine the pricing terms with all our external manufacturers (including Fuyuan Gongfang and the External Manufacturers A and B) following the same set of principles, and the relevant processing fees are calculated based on the weight of the products and the difficulty of the crafting techniques used. Thus, based on the above factors, the processing fee for each product with each of Fuyuan Gongfang and the External Manufacturers A and B during the Track Record Period, which were determined on an arm's length basis, may be different from the processing fee for each product and with each other external manufacturers but were in line with the pricing principles with

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our other external manufacturers. The credit terms and agreement term for each of Fuyuan Gongfang and the External Manufacturers A and B were comparable with those of our other external manufacturers during the Track Record Period, for details of which, please refer to the paragraphs headed “Business — Procurement and Production — Production — Outsourced Production” in this prospectus. No favorable (or unfavorable) terms was provided to Fuyuan Gongfang and the External Manufacturers A and B as compared with our other external manufacturers. Each of Fuyuan Gongfang and the External Manufacturers A and B is an Independent Third Party.

- (e) neither our Company nor any of our subsidiaries were involved in each of the transactions between the related party/employee and the external manufacturers and the source of such fund transfers is the related party’s and the external manufacturers’ own fund. Such transactions were not related to the engagement by our Group of such external manufacturers and our Group had not obtained any favorable terms or lowered costs from such external manufacturers in connection with such fund transfers;
- (f) none of the Directors and management of our Company (except for Mr. Zhou) has participated in the above-mentioned transaction between the related parties and external manufacturers; and
- (g) our Company was aware of above fund transfers in 2020 during the first A-share Listing Attempt when preparing responses to CSRC’s comments regarding whether there were any fund transfers between our related parties (including senior management) and customer/suppliers. This was not an uncommon question from the CSRC. We informed the CSRC of the financial assistance provided by Stationery Culture to Fuyuan Gongfang and the External Manufacturer A, respectively, to address its comments and informed the CSRC of the fund transfers under the above-mentioned escrow arrangements in the responses voluntarily. Upon such awareness, has conducted an internal review of the transactions between our related parties/employees and the external manufacturers. Although neither our Company nor any of our subsidiaries were involved in and none of the Directors and management of our Company (except for Mr. Zhou) has participated in such fund transfer and such fund transfers were not related to the engagement by our Group of such external manufacturers, our Company identified that our internal control measures on preventing such fund transfers between our related parties/employees and the external manufacturers were limited and could be further enhanced. Thus our Company reinforced our internal control policies to prevent the re-occurrence of transactions of a similar nature, i.e. regular trainings were provided to the procurement staffs reinforcing their existing knowledge, detailed internal disciplinary notice and guidelines relating to financial management and self-examination (i.e. the Notice of Re-emphasizing External Work Disciplines (《關於再次強調對外工作紀律的通知》) published by our Company and the Commitment Letter (《崗位承諾書》) executed by procurement staffs on an annual basis among others, to confirm that there were no fund transfers between procurement staffs and the external manufacturers) were provided to responsible staff, senior management and Directors and coordination and reporting arrangements within our Group were reinforced to monitor and prevent re-occurrence of similar transactions. Since

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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the termination of such transactions in June 2020 and up to the Latest Practicable Date, no such transactions had occurred or remained outstanding. Our Company is of the view that given no similar transactions had occurred or remained outstanding, the enhanced internal control measures effectively achieved the intention for which they were established, to which the Sole Sponsor concurs.

The reporting accountants have audited our Group's historical financial information for the Track Record Period and opined that the historical financial information gives a true and fair view of our Group's financial position and financial performance during the Track Record Period detailed in Appendix I to this prospectus.

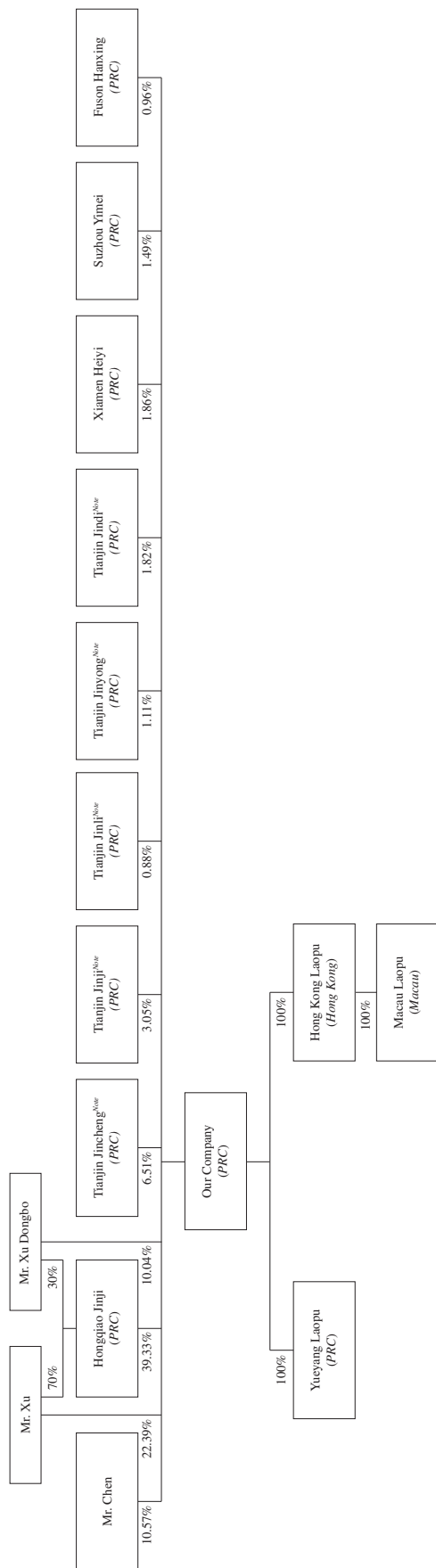
Our Directors further confirm, and the Sole Sponsor concurs, that there is no other material matter in relation to our previous A-share listing attempts that needs to be brought to the attention of the Stock Exchange or our investors.

Taking into account the then development of various capital markets and our Company's view that listing in international equity market will further raise our profile and market awareness worldwide, thus increasing our competitiveness, our Company decided to pursue the Listing on the Stock Exchange.

**OUR SHAREHOLDING AND CORPORATE STRUCTURE**

**Corporate Structure Immediately Before Completion of the Global Offering**

The chart below sets out the shareholding structure of our Company immediately before completion of the Global Offering:

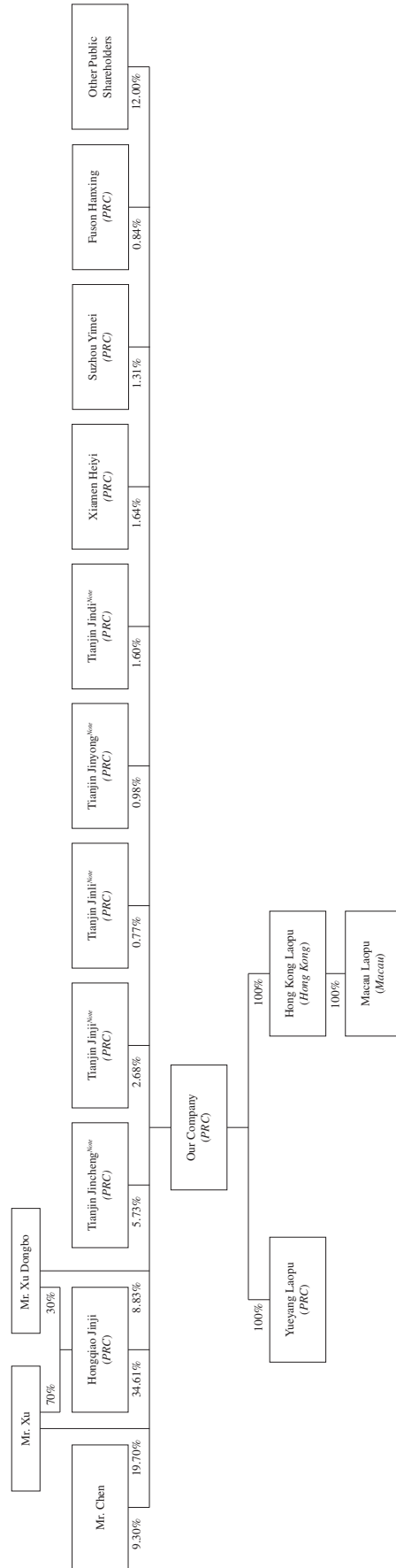


*Note:* As of the Latest Practicable Date, the general partner of Tianjin Jincheng, Tianjin Jinli, Tianjin Jinyong and Tianjin Jindi is Hongqiao Jinji, LIU Qiong, LIU Zhi, MA Le and WANG Jianming, respectively.



**Corporate Structure Immediately After Completion of the Global Offering**

The chart below sets out the shareholding structure of our Company immediately after completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



*Note:* As of the Latest Practicable Date, the general partner of Tianjin Jincheng, Tianjin Jinji, Tianjin Jinli, Tianjin Jinyong and Tianjin Jindi is Hongqiao Jinji, LIU Qiong, LIU Zhi, MA Le and WANG Jianming, respectively.

### OVERVIEW

We are a Chinese heritage gold (古法黃金) jewelry brand accredited by the China Gold Association (中國黃金協會)<sup>(1)</sup>, epitomizing China's intangible cultural heritage value and craftsmanship through our comprehensive product portfolio, with a market share in the heritage gold jewelry market and the gold jewelry market in China of 2.0% and 0.6%, respectively, in terms of revenue in 2023, according to Frost & Sullivan. During the Track Record Period, we derived a material portion of revenue from sales of self-designed heritage gold jewelry through our boutiques. We adopt a self-operation model and a scenario-based operation style for all our boutiques. As of the Latest Practicable Date, we self-operated 33 boutiques in reputable commercial centers in 14 cities across China<sup>(2)</sup>, most of which were tier-one and new tier-one cities. We are dedicated to offering products that harmonize cultural and fashionable attributes, showcase assertive style, and demonstrate high quality, ranging from daily wear accessories to ornaments and vessels. We believe that our brand positioning, product theme and style, sales network, and scenario-based boutique style contributed to our success. Among the key brands in China's gold jewelry market, we are the only brand that focuses on the design, manufacture and sale of heritage gold jewelry, according to Frost & Sullivan. Among all gold jewelry brands in China, we ranked first in terms of single-store sales in each of 2022 and 2023, according to Frost & Sullivan. In 2023, we further achieved significant growth. Our average revenue for 2023 per boutique that existed as of December 31, 2023 reached RMB93.9 million, exceeding twice the average revenue for 2022 per boutique that existed as of December 31, 2022.

As pure gold is soft, processing of pure gold, especially when embedding diamonds and gemstones onto the surface of pure gold, requires sophisticated craftsmanship. Unprofessional craftsmanship may cause pure gold to be bent, squeezed or deformed. Through years of dedication and commitment, we have promoted many major developments and advancements in China's gold jewelry industry. According to Frost & Sullivan, founded in 2009 we were the first gold jewelry brand in China to promote the concept of heritage gold, the first to introduce diamond-inlaid pure gold jewelry, and the first to apply heat treatment of enamels (燒藍) to pure gold products. Our continuous offering of quality products have made Laopu Gold (老鋪黃金) a well-recognized and highly-regarded brand among high net-worth individuals. According to the 2023 Hurun Supreme Brands — Chinese High Net-Worth Individuals' Brand Preferences Report (《2023胡潤至尚優品—中國高淨值人群品牌傾向報告》) released by the Hurun Research Institute (胡潤研究院) in March 2023, our brand was listed among the top ten jewelry brands preferred by high net-worth individuals, standing as one of the only two domestic jewelry brands.

According to Frost & Sullivan, heritage gold has heralded a new product era in China's gold jewelry industry. In recent years, the gold jewelry market has witnessed new opportunities for development. Driven by the rapid increase in consumer demand for high-quality products, heritage gold products have emerged as one of the most promising and fastest-growing categories in the gold jewelry market. According to Frost & Sullivan, the market size for heritage gold jewelry in China, in terms of sales revenue, has grown from approximately RMB13.0 billion in 2018 to approximately RMB157.3 billion in 2023 at a CAGR of 64.6%, and is expected to reach approximately RMB421.4 billion by 2028 at a CAGR of 21.8%. With

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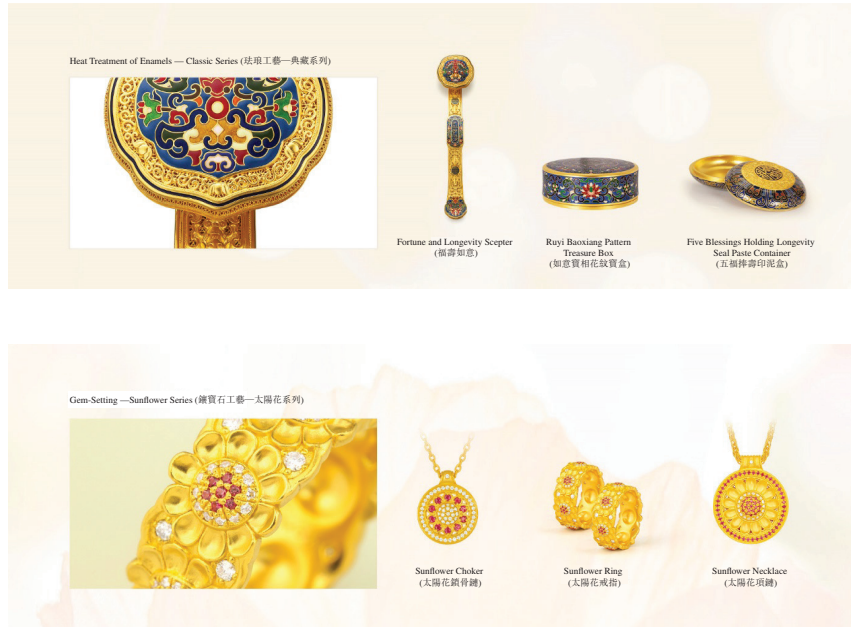
(1) Based on The China Gold Yearbook 2020 (中國黃金年鑒2020) published by the China Gold Association, and considering that, among other things, we were the first gold jewelry brand in China to promote the concept of heritage gold, the first in the industry to embed diamond in pure gold, and the first in the industry to introduce pure gold enamel jewelry products, according to Frost & Sullivan.

(2) Including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, Tianjin, Xiamen, Shenyang, as well as Hong Kong and Macau.

the transition of main consumer group to the younger generation, there is an increasing market demand for gold jewelry products with unique cultural and brand identity, and a sophisticated fashion sense. With our first-mover advantages in the heritage gold jewelry industry, dedication in product design and manufacture, continuing innovation in product research and development, and quality customer service offerings, we believe we are well-positioned to capture the huge growth of China's heritage gold jewelry market.

We aspire to become an internationally renowned gold jewelry brand that stands as a beacon of classic craftsmanship, epitomizing China's intangible cultural heritage value and craftsmanship. We draw inspiration from classic elements of the Chinese culture to develop products that elegantly combine traditional Chinese classical standards with modern aesthetics. Sticking with our brand values of “classic (經典)”, “meticulous (極致)” and “timeless (傳世)”, we craft our jewelry with traditional handcrafting methods. Certain traditional technique we utilize, such as “filigree inlay” (花絲鑲嵌) and “gold and silver inlay” (金銀錯), are recognized as national-level intangible cultural heritage. We prioritize originality, emphasizing product research, development, innovation and quality control. We continually launch new featured products to stay competitive in the market. As of the Latest Practicable Date, we created over 1,800 original product designs and held copyrights of over a thousand works. Our product mix caters to the diverse needs of consumers of different ages, including daily wear accessories, as well as stationary, daily use and decorative ornaments and vessels. Our certain products have driven industry development. For example, we introduced diamond-set pure gold jewelry products by the end of 2019, and according to Frost & Sullivan, we were the first in the gold jewelry industry to embed diamond in pure gold, changing the traditional standard of using K gold as the base material for diamond-set jewelry. In 2022, by utilizing traditional technique of heat treatment of enamels, we were the first in the industry to introduce pure gold enamel jewelry products, according to Frost & Sullivan. The below pictures showcase the style of our main products:





We have established market presence in reputable commercial centers of tier-one and new tier-one cities in China. As of the Latest Practicable Date, we self-operated a total of 33 boutiques, all located in shopping malls with stringent entry requirements, such as SKP and MixC (萬象城). According to Frost & Sullivan, as of April 2024, we covered eight out of the top ten shopping malls nationwide, ranking first among all domestic gold jewelry brands in terms of the coverage rate. We not only successfully entered into these shopping malls, but also achieved outstanding sales performance in them. For example, in 2023, our two boutiques located in Beijing SKP generated a total revenue of RMB335.8 million, achieving a monthly revenue per sq.m. of approximately RMB440,574. To put it in context, according to Frost & Sullivan, Beijing SKP is one of the world’s most productive shopping malls in terms of sales per sq.m., and its monthly sales per sq.m. in 2023 was approximately RMB17,740.6. With our high-quality brand identity, as well as the track records of our existing boutiques, we believe that we have gained a strong channel expansion capability, enabling us to systematically open new boutiques at coveted positions in reputable commercial centers with stringent entry requirements. For example, after the successful collaboration with Beijing SKP, we have established boutiques in other shopping malls of the SKP group, such as Xi’an SKP, Chengdu SKP, and DT51. Such win-win collaborations with top commercial centers achieves a virtuous cycle that continuously drives our growth. We adopt a scenario-based operation style for jewelry stores, with boutiques themed around classical Chinese study room scenes to largely enhance customer shopping experience. Our premium boutique locations naturally attract high net-worth consumers that perfectly match with our brand positioning, and the premium environments of our boutiques serve as a testament to our brand identity. In addition, we also reach consumers nationwide through online channels, including our flagship stores on Tmall and JD.com, which are independent third-party e-commerce platforms, as well as our WeChat Mini Program that we developed to optimize our customer experience and increase our online sales.

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## BUSINESS

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We experienced significant growth during the Track Record Period. Our revenue increased from RMB1,264.6 million in 2021 to RMB1,294.2 million in 2022 despite the adverse impact from COVID-19, and further increased to RMB3,179.6 million in 2023, representing a CAGR of 58.6% from 2021 to 2023. We recorded a net profit of RMB113.9 million, RMB94.5 million and RMB416.3 million in 2021, 2022 and 2023, respectively.

In the future, we will adhere to strategic principles such as brand innovation, product internationalization, and global market expansion, enabling us to effectively capture growth opportunities in the gold and jewelry industry and further expand market share and brand influence.

### OUR COMPETITIVE STRENGTHS

#### **An Accredited Heritage Gold Jewelry Brand in China, Epitomizing China's Intangible Cultural Heritage Value**

Our significant brand advantage is built upon our first-mover position. We were accredited by the China Gold Association (中國黃金協會) in The China Gold Yearbook 2020 (中國黃金年鑒2020). With over a decade of dedicated work in the field of Chinese heritage gold artifact craftsmanship, we maintain a high-quality brand positioning and continuously engage in independent research and development of heritage gold jewelry to align with consumer trends. According to Frost & Sullivan, our prominent position in the industry is reflected in various aspects, including:

- We were the first brand in China to promote the concept of heritage gold artifact, and one of the earliest to engage in brand-oriented operations for traditional handmade gold jewelry;
- We were the drafting unit to draft the group standards for “Heritage Gold Artifact” (《古法金飾品》團體標準) and “Heritage Gold Artifact Inlaid with Diamonds” (《古法金鑲嵌鑽石飾品》團體標準) as published by the China Gold Association (中國黃金協會);
- We were the first in the industry to introduce diamond-inlaid pure gold jewelry;
- We ranked first among all domestic jewelry brands in terms of coverage rate in the top ten high-end shopping malls nationwide as of April 2024;
- We ranked first in the gold jewelry market in the PRC in terms of average revenue per boutique in each of 2022 and 2023;
- We ranked first in terms of solidity value (價值力指數) in the Tmall Gold Category Brand Consumers' Mind List (天貓黃金品類品牌人群心智榜單) as published by Tmall in 2021; and
- We were one of the only two Chinese gold jewelry brands listed in the “2023 Hurun Supreme Brands — China's High Net-Worth Individuals' Brand Preferences Report” (《2023胡潤至尚優品—中國高淨值人群品牌傾向報告》).

According to Frost & Sullivan, the Chinese gold jewelry market is vast, with a multitude of market players. However, only very few players in the jewelry industry focus their business on heritage gold jewelry. We have been dedicated in the design and development of heritage gold products, which require professional crafting techniques, creative design, and mature manufacturing capabilities. Through years of accumulation, we believe we have achieved strong brand penetration, visibility, and influence in the field of gold jewelry, especially among high net-worth individuals, where we have gained recognition and popularity comparable to top jewelry brands.

During the Track Record Period, leveraging our first-mover advantage and leadership position, we successfully seized the growth opportunities in the heritage gold jewelry market and achieved rapid growth. Specifically, between 2021 and 2023, our revenue increased at a CAGR of 58.6%. Our gross profit margin has remained over 41% during Track Record Period. With a mature and stable business model, we believe we are well-positioned to capitalize on the immense growth potential in the heritage gold artifact market, and to maintain our rapid growth in the future.

### **Relentless Focus on Innovation and Acute Sensitivity to The Fashion Trend of The Times**

Over the years, we have cultivated a dedicated creation team with an innovative team culture, which empowers us to conduct independent and innovative research and development, underpinned by our cultural values and operational mechanisms.

Our creation team is comprised primarily of industry veterans with over ten years of experience in jewelry design. Our founder personally heads our creation team and supervises the creation process of our major products to maintain our brand positioning and assertive style of our products. Our creation team continuously adjusts development plans based on sales performance, changing market demands, and evolving consumer preferences, while taking into consideration our brand positioning and manufacturing feasibility. Independent research and development enable us to consistently introduce new products, continuously providing a wide range of products featuring Chinese traditional handmade gold craftsmanship.

We have established a systematic R&D management system. Building upon precise product positioning, our R&D management system encompasses various stages, such as formulating overall product development plans, quarterly research and design work covering merchandise, displays, packaging, and outfit coordination, product acceptance procedures, guaranteeing the production quality, monitoring market performance and carrying out post-launch product maintenance, all aimed at introducing more enduring and market-demand-driven products.

Our commitment to independent R&D supports continuous iterations, upgrades, and optimizations of our products. This enables us to consistently introduce featured products and build a product system centered around Chinese heritage gold. While we remain dedicated to iterating and upgrading our existing products, we continue to explore new techniques and introduce new products. For instance, in 2019, we launched our diamond-embedded gold



collections, using pure gold as the base material and hand-setting diamonds. This innovation conquered the soft nature of pure gold, challenging the industry's traditional norm of diamond jewelry primarily using K gold as the base material. Diamond-embedded gold products blend the elegance of traditional classics with modern sophistication and have become a popular product category in the heritage gold artifact industry. Furthermore, by delving into the traditional Chinese craft of copper-based heat treatment of enamels, we made use of a technique for applying heat treatment of enamels to pure gold, forging a unique category of pure gold collections.

With the synergistic support of our creation team and systematic research and development management system, we created over a thousand original product designs during the Track Record Period. As of December 31, 2023, we held 229 patents and 1,073 copyrights in China, as well as 164 patents overseas.

### **Comprehensive Product Portfolio with Classic Craftsmanship, Assertive Style and High Quality**

The history of Chinese heritage gold artifact crafting dates back to ancient times, with its origins tracing back to the Shang (商) and Zhou (周) dynasties. Over time, it has evolved into a unique crafting technique. We have always adhered to traditional handmade gold craftsmanship. Our heritage gold artifact products are full in shape and rich in details with even and intricate texture on their surfaces. For instance, techniques like engraving and filigree create intricate relief patterns on the surface of gold and silver objects, producing a richer artistic effect. The art of filigree inlaying, which utilizes gems and heat treatment of enamels, adds a touch of sophistication to our gold jewelry, enhancing color variety, providing consumers with a deeper sense of satisfaction and strengthening our brand identity.

Our highly effective product processing techniques and innovative craftsmanship strongly support the continuous improvement of our products. We make full use of the advantages of heritage gold crafting, transforming artistic imagination into tangible products through techniques such as investment casting (失蠟成型), free forging (摟胎), hammering (錘揲), carving (鑿刻), hollowing (鏤空), filigree (花絲), inlay (鑲嵌), and heat treatment of enamels (燒藍). We believe this approach can ensure that our products are a blend of culture and fashion, meeting the evolving consumption and aesthetic demands of consumers regarding gold products.

With over a decade of accumulation, we have delved into the research and development of a rich and diverse range of differentiated products, with over 1,800 original product designs to offer as of the Latest Practicable Date. In addition to jewelry, our product range includes heavy-weight products such as decorative ornaments, and collectible gold vessels. These products exhibit a higher level of craftsmanship complexity, deeply integrating and reflecting cultural elements and aesthetic appeal, further reinforcing our brand's unique positioning and greatly satisfying consumers' various needs.



**Strong Sales Network in Reputable Commercial Centers and Systematic Operational Model of Boutiques**

We operate our boutiques under a self-operation model. According to Frost & Sullivan, as compared with the franchise model, another chain operation model widely adopted by jewelry retailers in China, the self-operation model enables enterprises to retain the ownership of products sold at the retail counters, as well as the right to recruit and manage sales and other personnels of their own. Moreover, boutiques under the self-operation model generally has a higher profit margin than those under the franchise model. We have been adopting the self-operation model for our boutiques and had never entered into any franchise arrangement. We believe this self-operation model enables us to maintain strict control over our products and service quality and provide strict management of sales and customer service, which are conducive to building and preserving our brand image.

With our high-quality brand identity, as well as the track records of our existing boutiques, we believe that we have gained a strong channel expansion capability, enabling us to systematically open new boutiques at coveted positions in reputable commercial centers with stringent entry requirements. As of the Latest Practicable Date, we had a total of 33 boutiques located in prime commercial centers, mostly in tier-one and new tier-one cities across China, including Beijing, Shanghai, Shenzhen, Guangzhou, Nanjing, Hangzhou, Xi'an and Tianjin with four of our boutiques located in SKP malls, ten in MixC malls, and the remainder situated in renowned commercial centers such as Nanjing Deji Plaza (南京德基廣場), Beijing Oriental Plaza (北京東方新天地廣場), Beijing WF Central (北京王府中環), Chengdu International Financial Square (成都國際金融中心), Hangzhou Tower (杭州大廈), The Venetian Macao (澳門威尼斯人), and Silvercord (新港中心). Our premium boutique locations naturally attract consumers that perfectly match with our board positioning, and the premium environments of our boutiques serve as a testament to our brand identity. Such win-win collaborations with top commercial centers creates a virtuous cycle that continuously drives our growth.

In our self-operated boutiques and counters, we have adopted a scenario-based boutique operation style in the industry. By creating settings inspired by Chinese study rooms, we blend professional customer service with an immersive showcase of our craftsmanship, products, and brand culture. Our boutiques are well designed and arranged, from spatial design to furniture, lighting effects, background music, fragrances, floral decorations, product layouts, and even the appearance of our store staff and customer service personnel, aiming to present a sense of Chinese traditional culture with emotional appeal, aligning with the positioning and image of our traditional handmade gold jewelry. We strive to enable our consumers to experience our products as cultured, substantial, high-quality, and warm, making their shopping experience more profound and strengthening their brand loyalty.

Furthermore, we have established self-operated online sales channels, with flagship stores on Tmall and JD.com. We have also developed a WeChat Mini Program to streamline our customer experience and increase our online sales. Our online sales channels allow us to sell directly to consumers, providing multi-channel coverage to consumers nationwide.

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### **Adoption of Standardized Enterprise Management System to Maintain Efficient Operations and Effective Quality Control in the Ever-Evolving Consumer Market**

We have established a modern enterprise management system with comprehensive organizational structure, adequate staffing and clearly defined responsibilities, which allows us to leverage efficient and controllable end-to-end integrated management advantages.

Regarding human resources, our management team is well-rounded with core technical talents in production, and sufficient personnel in research and development, and management. We have maintained a stable team of business management professionals since our inception. In addition, we prioritize talent recruitment, development, and incentives in our management. We have adopted stock incentive schemes for our senior and key employees and core management team, effectively enhancing employee cohesion and a sense of belonging while ensuring the stability of key employees and the core management team. In terms of operational management, we have accumulated operational experience that aligns with the characteristics of the heritage gold artifact jewelry industry in areas such as business processes, marketing promotions, brand operations, financial control, and personnel training. This has led to the development of a systematic operational model. For quality control, we rigorously manage every product from the stages of design, sampling, processing to warehousing, national inspection, and shelf placement. We ensure that each product entering our inventory and reaching our shelves in the PRC holds a certificate of compliance from the National Jewelry Quality Supervision and Inspection Center (國家首飾質量監督檢驗中心檢測). From internal management to external product certification, we provide consumers with comprehensive product quality assurance. Our multi-tier, strict quality control system contributes to maintaining our product quality advantage.

Additionally, we place significant emphasis on after-sales service and are dedicated to providing consumers with a comprehensive shopping experience. We offer after-sales services, including lifetime maintenance to ensure high levels of customer satisfaction and loyalty.

We have achieved full-process integrated management focused on product design, craft research and development, product processing, boutique operations, and product retailing, supported by a rigorous and practical internal control management system. We believe this integrated management system has demonstrated our high operational efficiency, consistent operational standards, and high product quality, thereby establishing our efficient and controllable management advantage.

### **OUR GROWTH STRATEGIES**

We specialize in traditional Chinese handcrafted gold jewelry, maintaining a strategic focus. We are dedicated to brand internationalization and global market presence. Adhering to a strategy that involves both strengthening our domestic market presence and actively expanding into global markets, we are committed to building our brand into a globally competitive Chinese jewelry brand. Our goal is to showcase traditional Chinese handcrafted gold jewelry, as a symbol of classic Chinese culture, on the world stage.

### **Continue to Prioritize Product Research and Development Innovation to Strengthen Market Presence**

Our core competitive edge lies in our product design and R&D capabilities. Guided by market demand and consumer trends, we prioritize continuous product innovation, and iterative enhancements to maintain the competitiveness of our products.

We plan to further optimize our product manufacturing processes, such as refining materials, introducing cutting-edge processing technologies, and upgrading traditional craftsmanship. In addition, we will strengthen our product research and development capabilities and continue to develop new product lines, such as products for daily use, to enrich our product portfolio. We will also strengthen our product research and development team by hiring more talents with deep understanding of traditional culture to continue to drive innovation.

### **Deepen Brand Strategic Management to Enhance Brand Influence**

We are committed to enhancing the internationalization of our brand. We focus on brand positioning and will strengthen brand strategic management. We plan to deeply refine and elevate the unique culture and values of our brand. By increasing investments in effective brand promotion, we aim to bolster brand influence and solidify our position in the industry. Our goal is to create a globally competitive Chinese jewelry brand and continually improve our market expansion and market dominance capabilities.

We will enhance our efforts in corporate identity planning, content creation and brand promotion to create our brand story and further enhance brand awareness and recognition. For example, we plan to enhance the overall image of our boutiques through design and decoration and display upgrades, so that our brand will become synonymous with fashion in the minds of consumers. In addition, we plan to strengthen our multi-channel promotions. In addition to promotions through boutiques, we also plan to strengthen our online promotions, such as placing advertisements on social media and other digital platforms.

### **Solidify the Domestic Market and Actively Expand in the International Market**

We will further strengthen our presence in the domestic market. Based on our existing sales network, we plan to open ten new boutiques in mainland China in the next three years to expand our sales network, improve our marketing and service system, and increase our penetration rate in tier-one and new tier-one cities. In addition, we plan to implement a more precise and professional marketing management strategy, enhance our information technology system, establish a rapid response mechanism, improve the management of our customer records, and enhance our operational data management, pre-sales and after-sales service management as well as membership management.

Meanwhile, we plan to promote and realize the internationalization of our brand and expand our footprints in the global market in an orderly manner. We are committed to building “Laopu Gold” into a Chinese jewelry brand with international competitiveness. We aspire to promote heritage gold, which represents the classic culture of Chinese tradition, to the world.

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For example, we plan to open approximately five new boutiques outside of mainland China, including Hong Kong, Tokyo, Macau, and Singapore, and gradually expand into other cities in the Asian market when opportunities arise.

We intend to apply a portion of the net proceeds we receive from the Global Offering to execute the above business strategies. For more details of our use of proceeds, see “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

### OUR PRODUCTS

We design, manufacture and sell pure gold jewelry which combines ancient wisdom and modern fashions. Our gold jewelry products primarily comprise pure gold jewelry and gem-set jewelry (with diamonds or other gemstones inlaid in pure gold). Leveraging Chinese age-old techniques to create gold jewelry, our products are embodiments of classic elegance and craftsmanship, which reflects our brand’s core values and philosophy.

#### Our Brand and Product Philosophy

Our brand is critical to our success. As a gold jewelry brand focusing on classic, meticulous, and timeless gold jewelry that combines Chinese ancient gold craftsmanship and modern fashion, our brand stands as a beacon of classic craftsmanship. Our unique brand identity embodies three core values:

- **Classic (經典).** Despite the rapid change of fashion, we remain steadfastly committed to the timeless allure of classic jewelry. Our designs and creations draw inspiration from eras gone by, blending the grace of antiquity with the demands of modern elegance.
- **Meticulous (極致).** We aim to craft jewelry that transcends the ordinary to achieve the ultimate in beauty and craftsmanship. Our creation team are experienced in craftsmanship, employing age-old techniques with a pursuit to create jewelry that is the pinnacle of perfection. With uncompromising attention to detail and an unyielding pursuit of excellence, we aim to ensure that every piece under our brand is the ultimate embodiment of luxury.
- **Timeless (傳世).** Our commitment to enduring value goes beyond the aesthetics. We aim to offer gold jewelry with enduring beauty to be cherished for generations. We source materials of high quality, from pure gold to exquisite diamonds and other gemstones, with the hope that our creations not only endure the test of time but also appreciate in value.

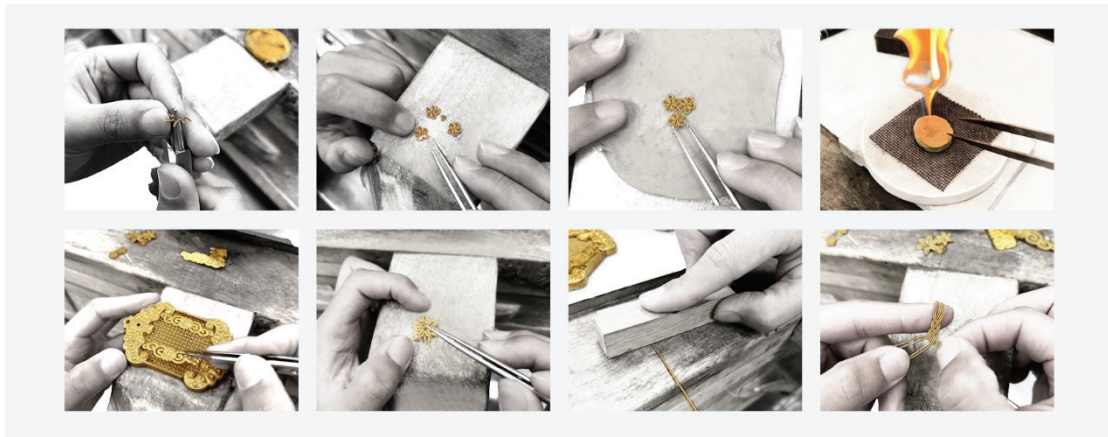
The above core values are our driving forces and are embedded throughout our business operations, including product design and development, production, sales and customer management. We believe our products are not just collections of jewelry, but also a captivating journey into the heart of traditional craftsmanship with modern elegance, which are appealing to our target customers.

### Our Craftsmanship and Our Collections

#### *Our Craftsmanship*

Our craftsmanship is rooted in Chinese ancient gold-making traditions and is a tribute to the time-honored methods of making gold jewelry that have passed down through generations. It forms the bedrock of our business, infusing our creations with a profound sense of history and artistry. By embracing the ancient techniques, we strive to ensure that each piece we fashion exudes a unique character and quality. We mainly employ the following craftsmanship in our jewelry creations:

- **Filigree (花絲).** The art of filigree leverages the malleability of pure gold raw materials, drawing them into delicate threads and fashioning them into intricate and captivating shapes and decorations.

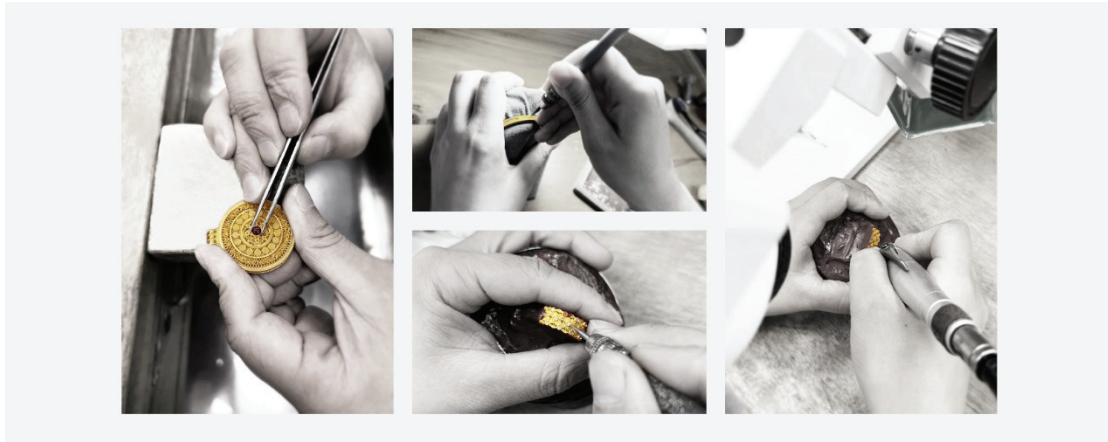


- **Carving (鑿刻).** Carving involves fixing the workpiece on a rubber plate by using various carving tools, striking the chisel with a hammer, and carving various patterns on the surface of the gold through diverse carving techniques.

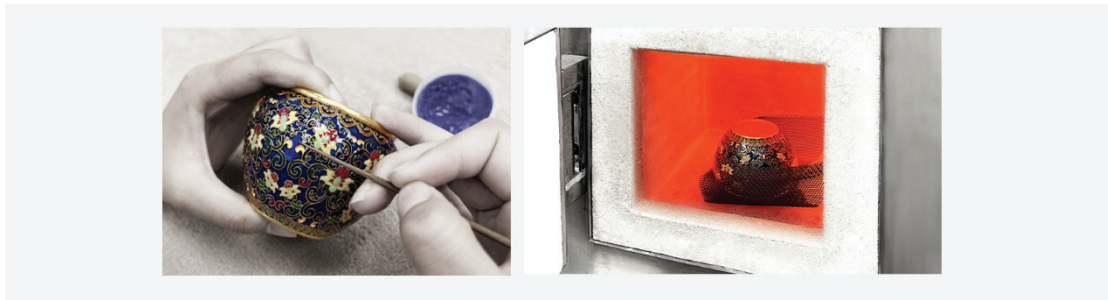




- ***Inlay (鑲嵌)***. The inlay techniques is a decorative method wherein diamonds or other gemstones are seamlessly integrated into gold products.



- ***Heat treatment of enamels (燒藍)***. The technique of heat treatment of enamels is a decorative process that entails the application of colored enamel glaze onto the surface of gold products, which results in a vibrant and multi-hued appearance.



### ***Our Gold Jewelry Products***

Leveraging our assorted ancient gold-making craftsmanship, we offer a wide range of gold jewelry products. In terms of different materials and craftsmanship used, our product offerings primarily include pure gold jewelry and gem-set jewelry (with diamonds or other gemstones inlaid in pure gold), and others.

Our pure gold jewelry products feature a range of hand crafted gold jewelry pieces. Our pure gold jewelry designs range from accessories for daily wear, such as pendants, bangles, rings and ear studs, to jewelry with greater gram weight, such as ornaments, vessels for daily use and vessels for display. In our gem-set jewelry products, diamonds or other gemstones (such as colored stones) are inlaid into the pure gold settings, combining the richness of gold with the allure of gemstones.

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Below pictures show certain of our products:



## Pure Gold Jewelry Products



## Gem-Set Jewelry Products



**Product Design and Development**

*Our Creation Team*

Our creation team takes the lead in driving our product design and development. Our creation team is responsible for (i) product development, including design of new products and refinement of existing products; (ii) display and packaging design, including managing how the products are presented in our boutiques and online channels; and (iii) assembly and fitting planning. As of December 31, 2023, we had 12 professional jewelry designers in our creation team. Our designers attend design and craftsmanship training programs from time to time. They come from a diverse background and a majority of the designers have over ten years of experience in jewelry design.

*Product Design and Development Process*

Our product design and development enabled us to create over 1,800 original product designs since our foundation and up to the Latest Practicable Date, and we have been continuously improving our design and development capabilities over time. To be specific, in 2021, 2022, 2023, and the period from December 31, 2023 to the Latest Practicable Date, we updated and iterated 156, 127, 136, and 88 products, and launched 100, 105, 119, and 79 brand new products. As of the Latest Practicable Date, we had a total of over 2,700 products under our LAOPU GOLD brand. We expect to further update and iterate 79 products and launch 82 brand new products in 2024. The table below sets forth revenue attributable to the sales of our iterated products and our newly launched products, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Iterated products . . . . .	124,025	9.8	98,871	7.6	198,690	6.2
Newly launched products . . . . .	70,684	5.6	81,480	6.3	185,099	5.8
<b>Sub-total . . . . .</b>	<b>194,709</b>	<b>15.4</b>	<b>180,351</b>	<b>13.9</b>	<b>383,790</b>	<b>12.1</b>
<b>Total revenue . . . . .</b>	<b>1,264,603</b>	<b>100.0</b>	<b>1,294,220</b>	<b>100.0</b>	<b>3,179,564</b>	<b>100.0</b>

The product design and development process consist of the following steps:

- **Step One: Overall Research and Development Planning (“R&D planning”).** In the initial phase, we engage in detailed R&D planning which involves the formulation of detailed product development plans. Our plans encompass several crucial aspects, including (i) the creation of new products and iteration of existing products, ensuring alignment with our brand style and product standards; (ii) the design of product displays and packaging; and (iii) the formulation of product assembly and fitting plans, which consider both style and functionality. This step generally takes 30 to 90 days.

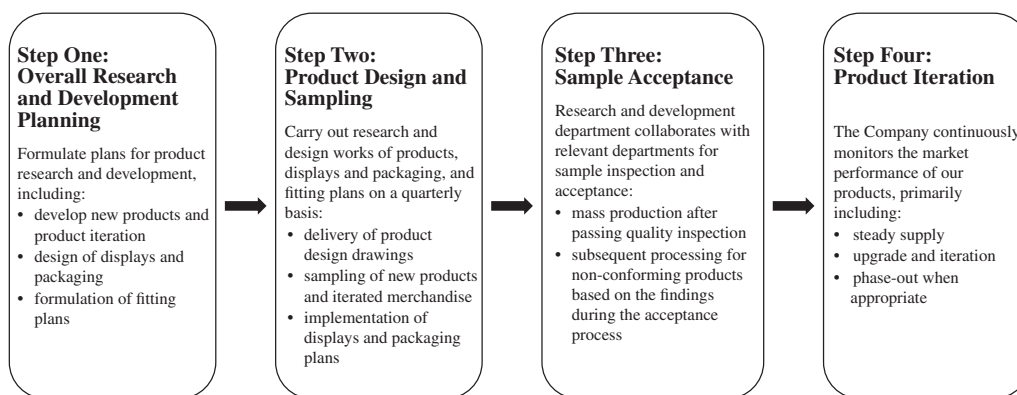
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- **Step Two: Product Design and Sampling.** Once our planning is complete, we move on to the core of our design and development process. Our creation team conducts research and development activities across various dimensions. First, our designers create detailed design drawings, outlining the visual and structural aspects of each product. Subsequently, samples are crafted with care, whether for entirely new products or refinements to existing ones. This step generally takes 45 to 75 days.
- **Step Three: Sample Acceptance.** Our creation team collaborates with our quality management and control team to conduct thorough sample verification and acceptance. This step aims to ensure the quality and compliance of the products. If the samples meet our stringent quality standards, we proceed to mass production. In cases where samples fall short of expectations, we initiate subsequent processing and adjustments based on the findings during the acceptance process. This step generally takes 15 to 20 days.
- **Step Four: Product Iteration.** We continuously monitor the market performance of our offerings, and based on the performance of our products and the estimated sales volume, our creation team makes improvements and updates to our launched products as necessary to ensure that our product offerings remain in tune with the fashion trends of the times. This step generally takes 30 to 90 days.

The flow chart below illustrates the major phases of our product design and development process:



In 2021, 2022 and 2023, our research and development expenses amounted to RMB8.4 million, RMB8.5 million and RMB10.7 million, respectively.

We believe that as a heritage gold jewelry brand dedicated to offer quality products to customers, our R&D capability has underpinned our success in the past and an increasing input in R&D activities is key to maintain our competitive advantages in the future. In order to further enhance our R&D capability to support our business expansion in the future, we plan to set up a product research and development center (“**R&D center**”) to strengthen our overall R&D infrastructure and improve our R&D efficiency. Specifically, we plan to recruit more R&D talents, implement R&D projects in relation to the manufacturing techniques and

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technical process of gold products, and equip our R&D center with advanced R&D equipment and design softwares. We plan to allocate a portion of the proceeds from the Global Offering to the setting up of the R&D center, see “Future Plans and Use of Proceeds” for more details.

The necessity for setting up the R&D center mainly includes the following:

- ***To improve the R&D system and enhance our core competitiveness.*** With the increasingly fierce competition with companies offering homogeneous products in the market, strong R&D capabilities coupled with sound R&D system have become the core competitiveness of companies to gain market share in the gold jewelry market. Our Directors believe that the setting up of the R&D center will (a) provide better site conditions for the R&D team to conduct in-depth technical research, especially for those industry’s cutting-edge projects that have strict requirements on the R&D environment; (b) improve our R&D software and hardware infrastructure configuration, such as 3D scanner, to support the subsequent development of more sophisticated technology; and (c) retain and attract more product design and production technology talents, improve the organizational structure and collaboration of the R&D team, stimulate team cohesion and improve the R&D efficiency.
- ***To increase the products’ level of technical sophistication, and enhance our brand value and profitability.*** As consumers pay more attention to the aesthetics, practicality, and investment value of gold jewelry, and their demands become more personalized and sophisticated, we need to continue to development new products with higher level of technical sophistication to meet consumer needs. In order to increase the products’ technical process added value, we plan to implement a series of R&D projects, not only focusing on the R&D of core basic technologies for production, but also on transforming technologies into products with higher level of craftsmanship, taking into account the product wearing experience and customers’ demand for consumption value. We have made a prudent plan to delve into the R&D of various fields, including pure gold hardening technology, embedding technology, hammering technology, and the material formula of heat treatment of enamels, etc., to realize the upgrading of products in many dimensions such as solidity of embedding, resistance to deformation, and dual prominence of practical and aesthetic value, in the next few years. The R&D of these technologies requires the full support of a professional R&D team as well as an advanced software and hardware system, and the R&D center will strongly provide such support. The setting up of the R&D center will enable us to centralize and efficiently carry out R&D projects on various product technologies. Taking full advantage of the facilities of the R&D center, we endeavor to innovate and perfect the classic best-selling styles, and meanwhile, continue to develop new products with strong personalization and high recognition of the “老鋪黃金” (LAOPU GOLD) brand, so as to fully interpret the brand’s charisma and cultural connotations, and to realize the enhancement of the added value of the products, which may in turn increase our profitability.

- ***To adapt to the changing downstream consumer demands, and support our rapid development.*** The ability to accurately understand the needs of end consumers and develop products that meet customers' various demands, is one of the core competitiveness of gold jewelry companies to grow and gain market share. We have conducted sufficient research on end consumers' demands. As the market develops, and with the increase of Chinese residents' annual disposable income per capita and living standards, in addition to the grammage and purity of gold, the practicality, aesthetics, uniqueness of design and complexity of craftsmanship of the products are also increasingly valued by consumers. To meet the constantly changing market demands, we have accordingly formulated a series of detailed R&D projects, including, among others: (i) in terms of manufacturing techniques, to upgrade the pure gold hardening technology and embedding technology; and (ii) in terms of technical process, to optimize hammering technology and the material formula of heat treatment of enamels. The establishment the R&D center is necessary to execute these consumer demand-driven R&D projects.

### **Pre-Sale Orders and Customized Products**

In addition to the sales of off-the-shelf products, we also presell products and provide customized products according to our customers' actual needs.

Customers may place orders for products that we have launched but are temporarily out of stock. The delivery period for pre-sale orders is generally within 90 days. In 2021, 2022 and 2023, the amount we received from customers for pre-sale orders was RMB45.2 million, RMB60.3 million and RMB191.8 million, respectively, accounting for approximately 3.6%, 4.7% and 6.0% of our total revenue for the respective periods.

We provide customized products for customers who wish to own unique and exclusive products. For customized product orders, customers generally first put forward specific customization requirements, and we then create design drawings, craft samples, produce and deliver the customized products. The delivery period for customized product orders is generally around 30 to 90 days, except for certain cases where the design and craftsmanship required is particularly sophisticated. We estimate the price of each customized product based on multiple factors, including the estimated raw material costs, complexity of craftsmanship, and the required design and production costs, among others. In 2021, 2022 and 2023, the amount we received from customers for customized product orders was RMB2.3 million, RMB1.3 million and RMB5.6 million, respectively, accounting for approximately 0.2%, 0.1% and 0.2% of our total revenue for the respective periods.

During the Track Record Period, the percentage of the amount we received from customers for pre-sale orders and customized product orders to total revenue for the respective periods were relatively low.

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The amount we received from customers for pre-sale orders and customized product orders before we deliver the related goods is recognized as contract liabilities. Such amount is recognized as revenue at the time of delivery of goods. For more details, see “Financial Information – Discussion of Selected Items From Consolidated Statements of Financial Position – Contract Liabilities” in this prospectus.

### **Pricing**

We carefully consider several key factors to determine the prices of our products. These factors include the material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand. Although fluctuation in material costs, including gold prices, is indeed one of the factors we consider when pricing our products, we believe that such fluctuation is manageable, as we from time to time adjust our procurement plan of raw materials based on the actual market and production demand. We primarily base our gold purchases on production plans and will also consider gold price and our available funds to adjust our procurement plan. Specifically, our supply chain department adjusts our procurement plans on a monthly basis after considering the historical sales turnover and anticipated sales trend provided by our sales department. Upon issuing procurement orders each month, our supply chain department would then follow up on the progress of the procurement, utilization of raw materials in production, and stock level of raw materials. We conduct multiple gold purchases in batches every month, and the timing of these purchases is primarily determined by product order volumes and corresponding production requirements, as well as gold price and our available funds. If we anticipate that the price of gold will rise in the future, and if we have sufficient funds available, we may consider increasing our purchase of gold raw materials in one or several batches appropriately. As such, even without any hedging instruments to manage fluctuation in gold price, we are able to reduce the risk of overstocking of gold materials and mitigate the impact of the cost fluctuation on our business operation and financial performance. Each piece of our gold jewelry products is subject to a fixed price upon launch and such price generally will not be adjusted along with the slight fluctuation of our material and production costs. Our management will review the prices of our products periodically and adjust the prices, if needed, after comprehensively considering various factors, including the material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand, among others, to ensure our profitability and brand strategy. To ensure a consistent and unwavering brand image, our gold jewelry pieces are priced uniformly across all our offline and online boutiques; but from time to time, we participate in promotional events hosted by third-party platforms, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). We offer discounts pertaining to the policy of our Customer Loyalty Program. See “— Product Warranty and Customer Services — Customer Services — Customer Loyalty Program” in this section. During the Track Record Period, we recorded our revenue based on the actual prices we charged (i.e., after taking into consideration the discounts offered, if any).

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The table below sets forth the breakdown of revenue from sales of gold jewelry products by different selling price range for the years indicated:

	Selling Price Range per Piece <sup>(1)</sup>	Revenue as a Percentage of Total Revenue <sup>(2)</sup>		
		Year Ended December 31,		
		2021	2022	2023
Pure gold jewelry . . . . .	Less than RMB10,000	3.7%	3.5%	1.9%
	RMB10,000 – RMB50,000	26.9%	26.5%	24.3%
	RMB50,000 – RMB250,000	15.2%	15.6%	13.4%
	Over RMB250,000	6.0%	5.6%	4.2%
Gem-set jewelry . . . . .	Less than RMB10,000	6.6%	8.5%	8.2%
	RMB10,000 – RMB50,000	32.6%	31.8%	40.7%
	RMB50,000 – RMB250,000	6.2%	5.7%	5.6%
	Over RMB250,000	2.2%	2.7%	1.5%

*Notes:*

- (1) The selling price range is calculated based on the actual prices we charged the customers (including taxes and other charges payable by consumers, and net of discount if any) for the relevant products. The price of our products depends on various factors, including the materials used, the gram weights of gold material used, and the intricacy and complexity of the products' design and craftsmanship.
- (2) Represents the percentage of revenue generated from sales of the relevant products with selling prices that fall within the corresponding price range.

### Sales by Product Category

#### Revenue

During the Track Record Period and up to the Latest Practicable Date, we generated all of our revenue from sales of products and in a tiny portion, the provision of after-sale services. We did not provide any gold trade-in or gold lending services, nor did we provide any gold custodian or gold escrow services. The following table sets forth the breakdown of revenue generated by product type for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry . . . . .	655,375	51.8	661,002	51.1	1,394,282	43.9
Gem-set jewelry . . . . .	603,061	47.7	629,528	48.6	1,780,658	56.0
Others* . . . . .	6,167	0.5	3,690	0.3	4,624	0.1
<b>Total . . . . .</b>	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Note:*

- \* Others mainly include revenues generated from (i) the sales of non-gold jewelry products primarily made of gemstones, and (ii) the provision of maintenance and repair services for jewelry products sold by us, as our after-sales services.

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The following table sets forth the sales volume in terms of gram and average selling price of our major product types for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>
	<i>(g'000)</i>	<i>(RMB/g)</i>	<i>(g'000)</i>	<i>(RMB/g)</i>	<i>(g'000)</i>	<i>(RMB/g)</i>
Pure gold jewelry . . . . .	1,161	650	1,133	676	2,199	729
Gem-set jewelry . . . . .	840	835	807	914	1,982	1,043

*Notes:*

- (1) Sales volume refers to the total weight of gold used in the jewelry products sold.
- (2) Average selling price equals actual prices we charged the customers (including taxes and other charges payable by consumers, and net of discounts if any) for the relevant products during a year divided by the sales volume of such products during the same year. As we recorded our revenue after deducting taxes and other charges payable by consumers, the product of sales volume and average selling price in the table is greater than the revenue we recorded for the relevant years.

*Pure Gold Jewelry*

The sales volume of our pure gold jewelry slightly decreased from 1,161 kg in 2021 to 1,133 kg in 2022, primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. The sales volume of our pure gold jewelry products significantly increased from 1,133 kg in 2022 to 2,199 kg in 2023, mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) the expansion of our boutique network; (iii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iv) our increased brand awareness; (v) the iteration of our pure gold jewelry product series, mainly including pure gold decorative ornaments, pendants and bracelets; and (vi) the increase in gold price, which boosted consumers' willingness to purchase gold products, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan.

The average selling price of our pure gold jewelry products was RMB650/g, RMB676/g and RMB729/g in 2021, 2022 and 2023, respectively. The average selling price of our pure gold jewelry products increased during the Track Record Period, primarily as the price of gold, which is a key factor we take into consideration to determine the price of our pure gold jewelry products, generally increased during the Track Record Period.



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### *Gem-Set Jewelry*

The sales volume of our gem-set jewelry products slightly decreased from 840 kg in 2021 to 807 kg in 2022, primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. The sales volume of our gem-set jewelry products significantly increased from 807 kg in 2022 to 1,982 kg in 2023, mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) the expansion of our boutique network; (iii) consumers' preference for high-quality gem-set heritage gold jewelry products with the upgrading of consumption concept; (iv) our increased brand awareness; (v) the iteration of our gem-set jewelry product series, mainly including gem-set pendants, rings and bracelets; and (vi) the increase in gold price, which boosted consumers' willingness to purchase gold products, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan.

The average selling price of our gem-set jewelry products was RMB835/g, RMB914/g and RMB1,043/g in 2021, 2022 and 2023, respectively. The average selling price of our gem-set jewelry products increased during the Track Record Period, primarily as the price of gold and gemstones, which is a key factor we take into consideration to determine the price of our gem-set jewelry products, generally increased during the Track Record Period.

### *Gross Profit and Gross Profit Margin*

The following table sets forth a breakdown of our gross profit and gross profit margin by types of goods or services for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry . . . . .	248,628	37.9	251,220	38.0	514,516	36.9
Gem-set jewelry . . . . .	269,265	44.6	289,100	45.9	815,596	45.8
Others . . . . .	3,108	50.4	1,818	49.3	1,845	39.9
<b>Total . . . . .</b>	<b>521,001</b>	<b>41.2</b>	<b>542,138</b>	<b>41.9</b>	<b>1,331,957</b>	<b>41.9</b>

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### *Pure Gold Jewelry*

During the Track Record Period, our gross profit for pure gold jewelry products amounted to RMB248.6 million, RMB251.2 million and RMB514.5 million in 2021, 2022 and 2023, respectively. The increase in gross profit for pure gold jewelry products during the Track Record Period was generally in line with the increase in revenue generated from the sales of pure gold jewelry products during the same years.

The gross profit margin for our pure gold jewelry products remained relatively stable at 37.9% and 38.0% in 2021 and 2022, respectively. The gross profit margin for our pure gold jewelry products decreased from 38.0% in 2022 to 36.9% in 2023, primarily because (i) we launched gold bar products by the end of 2022, which feature relatively simple craftsmanship and therefore have lower gross profit margin; (ii) this was partially offset by the increase in cost of sales, which was mainly due to the impact of increase in the purchase cost of gold.

### *Gem-Set Jewelry*

During the Track Record Period, our gross profit for gem-set jewelry products amounted to RMB269.3 million, RMB289.1 million and RMB815.6 million in 2021, 2022 and 2023, respectively. The increase in gross profit for gem-set jewelry products during the Track Record Period was generally in line with the increase in revenue generated from the sales of gem-set jewelry products during the same years.

The gross profit margin for our gem-set jewelry products increased from 44.6% in 2021 to 45.9% in 2022, primarily because (i) we launched new gem-set jewelry product series, mainly including gem-set pendants and rings, bangles and decorative ornaments, featuring innovative craftsmanship and novel design with relatively higher gross profit margin in 2022; and (ii) this was partially offset by the increase in cost of sales, which was mainly due to the impact of increase in the purchase cost of gold and gemstones. The gross profit margin for our gem-set jewelry products remained stable at 45.9% and 45.8% in 2022 and 2023, respectively. The gross profit margin level of our gem-set jewelry products was relatively higher than the gross profit margin of our pure gold jewelry, mainly as (i) the design and craftsmanship of our gem-set jewelry products is generally more intricate and complex; and (ii) gem-set jewelry products, especially diamond-set jewelry products, generally have higher pricing space and profit margins since they are usually fixed-price products with high brand premiums, which is in line with the market, according to Frost & Sullivan.

### *Others*

During the Track Record Period, our gross profit for other products and services amounted to RMB3.1 million, RMB1.8 million and RMB1.8 million in 2021, 2022 and 2023, respectively. Our gross profit margin for other products and services was 50.4%, 49.3% and 39.9% for the corresponding years, respectively. The fluctuation in the gross profit and gross profit margin for others was mainly due to the change of the nature and mix of our other products and services in the corresponding periods.

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### PRODUCT SALES

#### Our Integrated Offline and Online Jewelry Retail Structure

Our integrated offline and online gold jewelry retail structure combines both offline boutiques and online sales channels to provide customers with a seamless and consistent shopping experience. Through our network of boutiques, which are directly operated by us, customers can visit physical stores to browse and purchase our jewelry products. Simultaneously, our online sales channels offer customers the convenience of shopping for certain products via the internet. We offer the same quality of customer service across all our offline and online stores to ensure that, regardless of the channel through which our customers choose to interact with us, they are guaranteed to receive the level of product quality and customer service that characterize our core brand values.

The following table sets forth the breakdown of our revenue by channel for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Boutiques <sup>(1)</sup> . . . . .	1,135,357	89.8	1,126,308	87.0	2,818,483	88.6
Online platforms <sup>(2)</sup> . . . . .	129,246	10.2	167,912	13.0	361,081	11.4
<b>Total</b> . . . . .	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Including sales from pop-up stores which we opened as promotional events for a short period of time, typically for around one month. For further details, see “— Marketing and Promotion — Our Marketing Strategy and Promotion Channels” in this prospectus.
- (2) Consisting of sales through third-party e-commerce platforms including Tmall and JD.com, as well as WeChat Mini Program that we developed to streamline our customer experience and increase our online sales.

#### Our Boutiques

As of the Latest Practicable Date, we had a total of 33 boutiques covering 14 cities across China\*, most of which were tier-one and new tier-one cities. All of our boutiques were self-operated. According to Frost & Sullivan, as compared with franchise, another chain operation model widely adopted by jewelry retailers in China, self-operation model enables enterprises to retain the ownership of products sold at the retail counters, as well as the right

\* Including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, Tianjin, Xiamen, Shenyang, as well as Hong Kong and Macau.

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to recruit and manage sales and other personnels of their own. Moreover, boutiques under self-operation model usually has a relatively high gross profit margin. We have been adopting the self-operation model for our boutiques and had never entered into any franchise arrangement. We believe this self-operation model enables us to maintain strict control over our products and service quality and management of sales and customer service, which are conducive to building and preserving our brand image.

We had experienced steady-fast expansion during the Track Record Period and up to the Latest Practicable Date. The table below sets forth the total number of our boutiques, and openings and closures, for the periods indicated:

	Year Ended December 31,			From December 31, 2023 to the Latest Practicable Date
	2021	2022	2023	
Number of boutiques at the beginning of the period . . .	19	22	27	30
Number of new boutiques . . .	4	6	5	3
Number of closed boutiques . . .	1	1	2	—
<b>Number of boutiques at the end of the period . . . . .</b>	<b>22</b>	<b>27</b>	<b>30</b>	<b>33</b>

We categorize our boutiques into leased boutiques and concession boutiques (聯營門店) based on the type of agreements we enter into with shopping malls for the boutiques. According to our arrangements with shopping malls, rent or concession fee we pay to shopping malls is either (1) a fixed amount (i.e., fixed rent/concession fee), or (2) the higher of (a) a minimum monthly rent/concession fee and (b) a fixed percentage of the monthly sales of the relevant boutique (i.e., variable rent/concession fee). For more details of such arrangements, see “—Arrangements With Shopping Malls” in this section. The table below sets forth details of our boutiques that had opened during the Track Record Period and up to the Latest Practicable Date:

No.	Boutique Name	Type	Commencement Date	Closing Date	Expiry Date of Lease/Concession Agreement	Fixed or Variable Rent/Concession Fee
1	Beijing Oriental Plaza Boutique (北京東方新天地店)	Leased	December 2014	/	August 2027	Variable
2	Beijing Oriental Plaza Diamond-Set Jewelry Boutique (北京東方新天地點鑽店)	Leased	December 2019	/	October 2027	Variable

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No.	Boutique Name	Type	Commencement Date	Closing Date	Expiry Date of Lease/Concession Agreement	Fixed or Variable Rent/Concession Fee
3	Beijing SKP 1F Boutique (北京SKP 1F店)	Concession	July 2017	/	September 2024	Variable
4	Beijing SKP B1 Boutique (北京SKP B1店)	Concession	September 2020	/	September 2024	Variable
5	Beijing Gongmei Emporium Boutique (北京工美大廈店)	Concession	April 2009	/	December 2024	Variable
6	Beijing Department Boutique (北京百貨大樓店)	Concession	July 2018	/	March 2026	Fixed
7	Beijing WF Central Boutique (北京王府中環店)	Leased	December 2020	/	October 2024	Variable
8	Beijing China World Hotel Boutique (北京中國大飯店店)	Leased	June 2017	/	April 2027	Fixed
9	Beijing China World Trade Center Boutique (北京國貿店)	Leased	July 2018	/	May 2028	Fixed
10	Beijing China World Mall Boutique (北京國貿商城店)	Leased	January 2024	/	November 2028	Fixed
11	Beijing DT51 Boutique (北京DT51店)	Concession	January 2023	/	September 2024	Variable
12	Shanghai Yu Garden Boutique (上海豫園店)	Leased	January 2022	/	October 2024	Variable
13	Nanjing Deji Plaza Boutique (南京德基店)	Concession	August 2018	/	July 2024	Variable
14	Nanjing Deji Plaza Boutique No. 2 (南京德基二店)	Concession	October 2023	/	August 2025	Variable
15	Xiamen MixC B1 Boutique (廈門萬象城B1店)	Leased	June 2019	/	October 2024	Variable
16	Xiamen MixC 3F Boutique (廈門萬象城3F店)	Leased	December 2021	/	October 2024	Variable
17	Xi'an SKP Boutique (西安SKP店)	Concession	May 2018	/	December 2024	Variable
18	Hangzhou MixC B1 Boutique (杭州萬象城B1店)	Leased	September 2018	/	August 2026	Variable
19	Hangzhou MixC 2F Boutique (杭州萬象城2F店)	Leased	December 2023	/	December 2024	Variable
20	Shenzhen MixC Boutique (深圳萬象城店)	Leased	June 2017	/	April 2025	Variable
21	Shenzhen MixC Boutique No. 2 (深圳萬象城二店)	Leased	July 2022	/	April 2025	Variable
22	Shenzhen MixC World Boutique (深圳萬象天地店)	Leased	December 2021	/	November 2024	Variable
23	Shenyang MixC B1 Boutique (瀋陽萬象城B1店)	Leased	May 2019	/	September 2026	Variable

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No.	Boutique Name	Type	Commencement Date	Closing Date	Expiry Date of Lease/Concession Agreement	Fixed or Variable Rent/Concession Fee
24	Shenyang MixC 2F Boutique (瀋陽萬象城2F店)	Leased	July 2022	/	August 2024	Variable
25	Wuhan Wushang World Trade Plaza Boutique (武漢武商世貿店)	Concession	July 2017	/	December 2024	Variable
26	Hangzhou Tower Boutique (杭州大廈店)	Concession	September 2019	/	August 2024	Variable
27	Hong Kong Harbor City Boutique (香港海港城店)	Leased	June 2018	February 2021	/	Variable
28	Chengdu IFS Boutique (成都國金店)	Leased	October 2020	/	March 2027	Variable
29	Venetian Macao 3F Boutique (澳門威尼斯人3F店)	Leased	June 2021	/	February 2027	Variable
30	Venetian Macao 1F Boutique (澳門威尼斯人1F店)	Leased	June 2023	/	January 2026	Variable
31	Tianjin MixC Boutique (天津萬象城店)	Leased	August 2021	January 2023	/	Variable
32	Nanning MixC Boutique (南寧萬象城店)	Leased	May 2022	October 2023	/	Variable
33	Chengdu SKP Boutique (成都SKP店)	Concession	December 2022	/	December 2024	Variable
34	Fuzhou MixC Boutique (福州萬象城店)	Leased	July 2022	October 2022	/	Variable
35	Guangzhou TaiKoo Hui Boutique (廣州太古匯店)	Leased	September 2023	/	July 2026	Variable
36	Hong Kong Canton Road Boutique (香港廣東道店)	Leased	March 2024	/	August 2026	Variable
37	Tianjin MixC Boutique (New) (天津萬象城店(新店))	Leased	May 2024	/	February 2026	Variable

We generally negotiate with the shopping malls regarding renewal of the lease/concession agreements one to six months ahead of the end of the respective agreement term. Considering our stable and long-term cooperation relationship with the shopping malls in the past, our Directors believe that there is no impediment in the renewal of our lease/concession agreements before the respective agreement term expires.

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We assess and evaluate the performance of our boutiques on a monthly basis. During the Track Record Period and up to the Latest Practicable Date, we closed one, one, two and nil boutique(s) in 2021, 2022, 2023, and the period from December 31, 2023 to the Latest Practicable Date, respectively. The following table sets forth details of the above four closed boutiques:

No.	Boutique Name	Location	Type	Commencement Date	Closing Date	Reason for Closing
1 . .	Hong Kong Harbor City Boutique (香港海港城店)	Hong Kong	Leased	June 2018	February 2021	Considering the then unfavorable market conditions under the influence of the COVID-19 pandemic, we did not renew our lease upon expiration of the lease agreement.
2 . .	Fuzhou MixC Boutique (福州萬象城店)	Fuzhou	Leased	July 2022	October 2022	Considering that the brand occupancy rate at the shopping mall was relatively low, we terminated the lease agreement with the shopping mall upon mutual agreement of both parties.
3 . .	Tianjin MixC Boutique (天津萬象城店)	Tianjin	Leased	August 2021	January 2023	As part of our internal strategic adjustment to boutique layout, we decided to reallocate our internal resources to boutiques that have more favorable locations and better consumer traffic. Therefore, we did not renew our lease for this boutique upon expiration of the lease agreement.
4 . .	Nanning MixC Boutique (南寧萬象城店)	Nanning	Leased	May 2022	October 2023	As part of our internal strategic adjustment to boutique layout, we decided to reallocate our internal resources to boutiques that have more favorable locations and better consumer traffic. Therefore, we terminated the lease agreement with the shopping mall upon mutual agreement of both parties.

The following table sets forth revenue and operating profit/loss of the four closed boutiques for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 . Hong Kong Harbor City Boutique (香港海港城店)	667	(743) <sup>(1)</sup>	-	-	-	-
2 . Fuzhou MixC Boutique (福州萬象城店)	-	-	2,361	(1,463) <sup>(2)</sup>	-	(103) <sup>(2)</sup>



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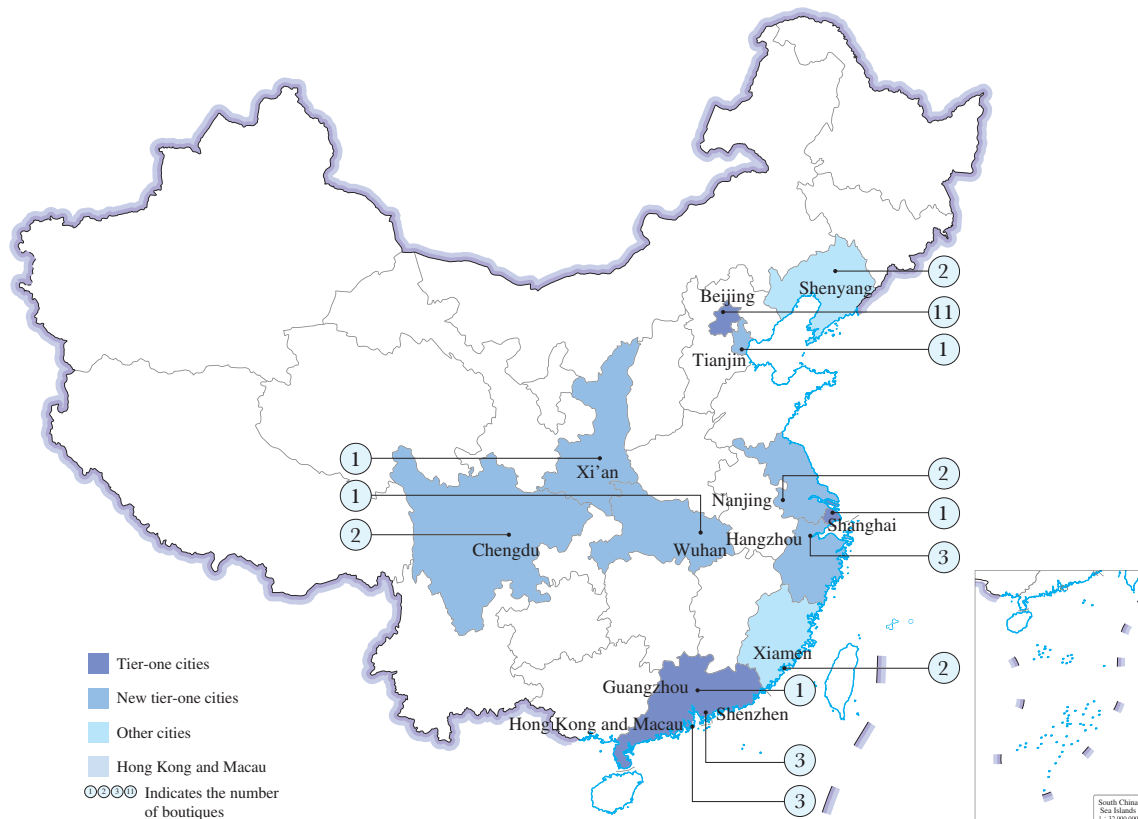
Year Ended December 31,

	2021		2022		2023	
	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
3 . Tianjin MixC Boutique (天津萬象城店)	11,454	1,118	23,259	3,088	1,891	(102) <sup>(3)</sup>
4 . Nanning MixC Boutique (南寧萬象城店)	-	-	13,634	508	26,542	2,808

*Notes:*

- (1) This boutique achieved initial breakeven for a period of approximately two months since its establishment in June 2018, and generated operating profits in each of 2018 and 2019. It recorded operating loss in 2021 primarily due to the influence of the COVID-19 pandemic as well as the unfavorable market condition at the time.
- (2) This boutique did not achieve initial breakeven and recorded operating loss during its three months of operation in 2022. It further recorded operating loss in 2023 as it incurred renovation expenses for restoration of decoration after its closing.
- (3) This boutique recorded operating loss in 2023 as it incurred renovation expenses for restoration of decoration at its closing.

The following map sets forth the relevant geographic information of our boutique network as of the Latest Practicable Date:



### *Design and Experience of Our Boutiques*

Our boutiques are classic and welcoming, which serve as physical embodiments of our core values. We adopt a scenario-based operation style (场景化模式) to decorate our boutiques and showcase our classic jewelry products, and the cultural identity of our brand providing consumers with an immersive consumption experience. Specifically, we draw inspiration from the distinctive theme of a classic study room, blended with seamless professional customer services, to fully showcase our timeless craftsmanship, classic jewelry products, and brand culture, and offer consumers with an immersive shopping experience. Every aspect of our boutique has been well planned and standardized, including the spatial design, furniture arrangement, lighting effects, background music, fragrance, floral decorations, product layout, and the dressing of our staff. This presentation embodies the profound allure of traditional Chinese classic culture, perfectly aligning with the positioning and image of our handmade gold products crafted using ancient techniques. Our aim is for our vintage-style handmade gold jewelry to become products that exude “culture, substance, quality, and warmth,” offering consumers with a stronger and more profound shopping experience, thereby enhancing our brand recognition and customer loyalty.

Please see below for photographs of our boutiques.



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### *Arrangements With Shopping Malls*

Our boutiques are generally standalone stores in reputable shopping malls. We believe we have developed good relationships with the shopping malls through our years of cooperation and our outstanding sales performance, which benefits us in lease renewal and securing prime locations for our boutiques. We categorize our boutiques into leased boutiques and concession boutiques (聯營門店) based on the type of agreements we enter into with shopping malls for the boutiques. As of the Latest Practicable Date, we had 22 leased boutiques and 11 concession boutiques. The following sets forth a summary of the different salient terms of our lease agreements and concession agreements with the shopping malls:

	Lease Agreement	Concession Agreement
<b>Duration</b> . . . . .	Varies from one year to five years and is renewable upon mutual agreement	
<b>Rent/Concession Fee</b> . . . . .	Rent/concession fee is either (1) a fixed amount, or (2) the higher of (a) a minimum monthly rent/concession fee and (b) a fixed percentage of the monthly sales of the relevant boutique	
<b>Minimum Sales Target</b> . . . . .	Not meaningful <sup>(1)</sup>	
<b>Other Fees and Tax Charges</b> . . . . .	We generally pay a fixed amount of management service fee to the shopping malls on a monthly basis for general maintenance and security services they provide. We pay a fixed amount of deposit to the shopping malls, which is refundable upon the expiration or termination of the lease/concession agreements. We also pay utility fees and other applicable fees (and tax charges) in a fixed amount or as incurred by the operation of our concession boutiques.	
<b>Collection of Sales Proceeds</b> . . . . .	Sales proceeds are typically collected by us. <sup>(2)</sup>	Sales proceeds are typically collected by shopping malls.
<b>Payment and Settlement</b> . . . . .	<ul style="list-style-type: none"> <li>• We invoice end customers for the sales of our products.</li> <li>• On a monthly basis, we generally pay the shopping malls rent and other fees.<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Shopping malls invoice end customers for the sales of our products.</li> <li>• On a monthly basis, shopping malls pay us sales proceeds from end customers less concession fees and other fees.</li> </ul>
<b>Termination</b> . . . . .	Terminable by either party upon the occurrence of certain specific events, such as material breach of the counterparty.	

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*Notes:*

- (1) Certain shopping malls may have a minimum sales target requirement on us. This minimum sales target is either a fixed amount, or fixed multiples of rent and other fees, which are considerably lower than our usual monthly sales amount. Therefore, we believe the minimum sales target requirement, if any, is not applicable to us.
- (2) For our boutiques in MixC malls, since we rent POS machines from MixC malls, sales proceeds from end customers who make payments through POS machine will be collected by MixC malls and remitted to us on a monthly basis after deducting rent and/or other fees. In spite of the special settlement arrangements, we are entitled to invoice end customers according to the agreements with the MixC malls.

During the Track Record Period, no lease or concession agreements had been terminated by shopping malls for our breach.

### *Performance of Our Boutiques*

Depending on the performance of boutiques and negotiation with shopping malls, we may open more than one boutique in each shopping mall. The following table sets forth the details of the top five shopping malls that we entered into in terms of revenue generated from our boutiques in each shopping mall in 2023:

No.	Name of Shopping Mall	Commencement Date*	Location	Revenue and Percentage of Total Revenue						Revenue per sq.m.
				Year Ended December 31,						Year Ended December 31,
				2021		2022		2023		2023
				RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
1. . .	Beijing SKP (北京SKP)	July 2017	Beijing	176,087	13.9	140,111	10.8	335,827	10.6	5,287
2. . .	Nanjing Deji (南京德基)	August 2018	Nanjing	77,679	6.1	84,585	6.5	257,335	8.1	2,389
3. . .	Shenyang MixC (瀋陽萬象城)	May 2019	Shenyang	91,227	7.2	98,791	7.6	232,540	7.3	1,895
4. . .	Shanghai Yu Garden Yixiu Building (上海豫園挹秀樓)	January 2022	Shanghai	-	-	53,096	4.1	227,240	7.1	1,404
5. . .	Xi'an SKP (西安SKP)	May 2018	Xi'an	106,163	8.4	105,282	8.1	189,747	6.0	3,106
				<b>451,156</b>	<b>35.7</b>	<b>481,865</b>	<b>37.2</b>	<b>1,242,690</b>	<b>39.1</b>	

*Note:*

- \* Referring to the commencement date of the boutique that first opened in the corresponding shopping mall.

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### *Same-Store Sales*

The following table sets forth the details of our same-store sales and same-store sales growth of our boutiques during the Track Record Period, which are important metrics that our management tracks in evaluating our boutique network's performance:

	Year Ended December 31,			
	2021	2022	2022	2023
Number of Same Stores* . . . . .	18			21
Same-Store Sales (RMB'000) . . . . .	1,107,257	911,942	1,004,131	2,162,939
Same-Store Sales Growth Rate . . . . .	(17.6)%			115.4%

*Note:*

\* Referring to boutiques that were open for more than 300 days in both of the two years under comparison.

For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1,107.3 million in 2021 to RMB911.9 million in 2022, which was primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic. For 2022 and 2023, we had 21 same stores, whose sales increased significantly by 115.4% from RMB1.0 billion in 2022 to RMB2.2 billion in 2023, which was mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iii) our increased brand awareness; (iv) the iteration of our product series; and (v) the increase in gold price, which (a) boosted consumers' willingness to purchase heritage gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan, and (b) led to a corresponding increase in the prices of our products.

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

The initial breakeven period represents the period from the opening of a boutique to the time when it records monthly net profit for the first time. We measure the initial breakeven period of our boutiques 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. The cash investment payback period for a boutique represents the time it takes for the accumulated operating cash flow attributable to us from the relevant boutique to recover the initial investment. We measure the cash investment payback period of our boutiques by the cash we invest in them, primarily including cash paid to shopping malls for lease or concession and cash used for renovation, but excluding cash used for preparing

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gold inventories. Among the 37 boutiques that had opened during the Track Record Period and up to the Latest Practicable Date, Fuzhou MixC Boutique (福州萬象城店) was the only one that had never recorded net profit during operation. All the other 36 boutiques had achieved initial breakeven since opening. Specifically,

- We had 33 boutiques as of the Latest Practicable Date. Hong Kong Canton Road Boutique (香港廣東道店) and Tianjin MixC Boutique (New) (天津萬象城店(新店)), which was newly opened on March 31, 2024 and May 25, 2024, respectively, achieved initial breakeven for a period of one month. As of the Latest Practicable Date, they had not achieved cash investment payback. For the other 31 boutiques, except for Beijing Gongmei Emporium Boutique (北京工美大廈店) and Beijing Oriental Plaza Boutique (北京東方新天地店)\*, the average initial breakeven period of the rest of the 29 boutiques was approximately one month, and the average cash investment payback period of the same boutiques was approximately six months;
- We closed four boutiques during the Track Record Period. Except for Fuzhou MixC Boutique, the average initial breakeven period of the other three boutiques was approximately one months, and the average cash investment payback period of the same boutiques was approximately eleven months; and
- We established 15 new boutiques during the Track Record Period. Except for Fuzhou MixC Boutique, the average initial breakeven period of the other 14 boutiques was approximately one month, among which, eleven boutiques achieved initial breakeven for a period of one month, and the other three boutiques achieved initial breakeven for a period of two months. The average cash investment payback period of the same 14 boutiques was approximately five months.

During the Track Record Period, certain of our boutiques incurred net operating losses during their respective operation. Among our 34 boutiques that have been in operation during the Track Record Period, we had five, three, and one loss-making boutique(s) in 2021, 2022, and 2023, respectively. Net operating losses incurred by our loss-making boutiques amounted to approximately RMB5.2 million, RMB4.6 million, and RMB0.1 million for the same corresponding years, primarily due to the adverse effects of the COVID-19 pandemic from 2021 to 2022, which was substantially eliminated in 2023.

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*Note:*

- \* Beijing Gongmei Emporium Boutique (北京工美大廈店) and Beijing Oriental Plaza Boutique (北京東方新天地店) were opened in 2009 and 2014, respectively, and each had recorded net profit during the Track Record Period. However, as they were established a relatively long time ago, information regarding their initial breakeven period and cash investment payback period was not available to us.

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### *Our Boutique Network and Strategy*

Our boutiques are mostly located in luxury districts of tier-one and new tier-one cities across China. According to Frost & Sullivan, as of April 2024, we covered eight out of the top ten high-end shopping malls nationwide, ranking first among all domestic gold jewelry brands in terms of such coverage rate. We have experienced nationwide growth in our boutique network during the Track Record Period and up to the Latest Practicable Date. The table below sets forth a breakdown of our boutiques by geographic location as of the dates indicated:

	December 31,			Latest Practicable Date
	2021	2022	2023	
<b>Mainland China*</b> . . . . .	21	26	28	30
Tier-one cities . . . . .	11	13	15	16
New tier-one cities . . . . .	7	8	9	10
Other cities . . . . .	3	5	4	4
<b>Hong Kong</b> . . . . .	–	–	–	1
<b>Macau</b> . . . . .	1	1	2	2
<b>Total</b> . . . . .	<b>22</b>	<b>27</b>	<b>30</b>	<b>33</b>

*Note:*

\* Tier-one cities where our boutiques are located include Beijing, Shanghai, Guangzhou, and Shenzhen. New tier-one cities where our boutiques are located include Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, and Tianjin. Other cities where our boutiques are located include Shenyang, Xiamen, Nanning, and Fuzhou.

Our boutique locations are strategically and specifically selected to harmonize with our brand's image. Our selection process considers various criteria, including the city's macroeconomic indicators such as GDP per capita and per capita income, the compatibility of the potential location with our brand values, the brand and reputation of the shopping mall in the specific city, consumer traffic, and local consumer preferences. We plan to further expand our boutique network by establishing new boutiques in reputable commercial centers of existing cities and new cities.

### *Our Expansion Plans*

We expect to open approximately ten new self-operated boutiques in mainland China in the next three years, primarily targeting tier-one cities and new tier-one cities. Specifically, we plan to establish new boutiques in high-end shopping malls, considering that (a) these shopping malls typically have better customer traffic of and larger market demand from high net-worth individuals. We believe that such expansion strategy is in line with our product and brand positioning as well as our target customer base; and (b) we are well-positioned to leverage our past experience of operating boutiques in high-end shopping malls, as well as our stable and long-lasting relationships with these shopping malls. We also plan to establish new boutiques



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in other cities, primarily in provincial capital cities. We will mainly target neighborhood where customers have strong spending power with high demand for gold jewelry products. We also expect to establish around five boutiques covering Hong Kong, Macau, Singapore and other Asian city by the same time frame. We will also target high-end shopping malls and reputable commercial centers where customers have similar spending patterns as in tier-one and new tier-one cities in mainland China. We believe this strategy will allow us to tap into new markets, increase our market penetration, and extend our reach to a broader customer and consumer base.

The table below sets forth the details of our plans for the establishment of new boutiques in the next three years, as well as our current presence in these target markets:

<b>Location</b>		<b>Number of Existing Boutiques as of the Latest Practicable Date</b>	<b>Number of Boutiques to be Established in the Next three Years</b>
<b>The PRC Market</b>	<b>Tier-one cities</b> . . . . .	16	6
	<b>New tier-one cities</b> . . . . .	10	4
<b>The Overseas Markets</b>	<b>Hong Kong</b> . . . . .	1	2
	<b>Macau</b> . . . . .	2	1
	<b>Singapore</b> . . . . .	–	1
	<b>Tokyo</b> . . . . .	–	1
<b>Total</b> . . . . .		<b>33</b>	<b>15</b>

In formulating our expansion plan of 15 boutiques in the next three years, we have prudently considered a number of factors, primarily including the general economic environment and consumption levels of the target markets, market demand and growth potential of the target markets, and our current presence in the target markets.

In tier-one and new tier-one cities, we have already established a solid presence with a total of 26 boutiques as of the Latest Practicable Date, and we plan to open around 10 new boutiques in these cities in the next three years. According to Frost & Sullivan, in tier-one cities, the market size of heritage gold jewelry market was approximately RMB25.1 billion in 2023, and is expected to reach RMB62.7 billion in 2028, at a CAGR of 20.1% from 2023 to 2028. The average per capita disposable income of tier-one cities was RMB80,999 in 2023, resulting in high purchasing power and consumption levels. In new tier-one cities, the market size of heritage gold jewelry market was approximately RMB34.0 billion in 2023, and is expected to reach RMB98.7 billion in 2028, at a CAGR of 23.7% from 2023 to 2028. The average per capita disposable income of new tier-one cities was RMB55,921 in 2023, presenting a relatively high purchasing power of citizens with great growth potential. As the penetration rate of heritage gold jewelry continues to increase in the new tier-one cities, the market is forecasted to experience a fast growth in the future, which provides broad market opportunities for our expansion in the new tier-one cities. In addition, as compared to other players, our penetration rate in tier-one and new tier-one cities still has a large room for

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improvement. For details, see “Industry Overview — Competitive Landscape” in this prospectus. We believe that our expansion plan in these cities is necessary for us to capture market opportunities and maintain competitiveness in the next few years. Our existing presence in these cities will also make us better positioned to leverage operation experience, established brand awareness, and existing relationship with shopping malls to accelerate growth.

In the overseas markets, we plan to first expand our presence in Hong Kong and Macau where we currently have or historically had presence, then test the waters in Singapore (a country with a high per capita GDP and per capita disposable income, and a large group of ethnic Chinese), and gradually expands into other cities in the Asian market such as Tokyo when opportunities arise. For details of the market size and competitive landscape of these markets, see “Industry Overview” in this prospectus. In order to achieve the goal of making LAOPU GOLD a brand with international competitiveness, we believe that it is inevitable, and imperative, for us to expand our footprint to overseas countries/regions. Certain Chinese brand had entered into these overseas markets years ago, indicating that there is no material impediment for Chinese brands to set up establishment therein. We will carefully and conservatively navigate and carry out our overseas development plans, and may hire local professionals who are familiar with local market trends in order to ensure smooth overseas market expansion. We also believe that we have gained valuable experience in supply chain and offshore management through our operation in Hong Kong and Macau, which will be constructive for our future expansion in Singapore and other Asian cities.

Based on our brand positioning and current consumer profile, the target customers for our expansion plan (both domestically and internationally) are expected to exhibit the following traits: (a) a pursuit of quality, (b) women aged 25-45 and men aged 30-55, and (c) possessing strong purchasing power with an annual income exceeding RMB100,000. We believe that our target customers purchase our products primarily for their classic craftsmanship, assertive style and high-quality. While the safe-haven value of gold may attract certain customers, especially during times of domestic and global political and economic uncertainty, our strategy has never been to compete in the already crowded, low-value gold product market. Instead, we focus on offering differentiated products targeting high-net-worth customers. Since the target cities in our expansion plan are either top-tier cities or regional economic centers with relatively high per capita GDP and per capita disposable income, we believe that there would be sufficient number of target customers who are willing to pay for a higher premium for our products.

According to Frost & Sullivan, heritage gold jewelry generally has higher selling price and higher gross profit margin than other regular gold jewelry, primarily because it exhibits a higher level of craftsmanship and complexity. According to Frost & Sullivan, the average gross profit margin of heritage gold jewelry is approximately 35% while the average gross profit margin of regular gold jewelry is around 25%. As a company who focuses on heritage gold jewelry, primarily targets high-end shopping malls, and adopts a fully self-operation business model, we believe that we can maintain a relatively high gross profit margin for our products in the target markets. Besides, according to Frost & Sullivan, compared with other major players in China’s heritage gold jewelry industry, the selling price and gross profit margin of our gold jewelry products in 2023 were generally in line with that of our peers. Specifically,

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according to Frost & Sullivan, the selling price for pure gold jewelry products sold by other major market players in 2023 ranged from RMB520/g to RMB1,000/g, and for gem-set jewelry products, such range was RMB640/g to RMB2,950/g; the gross profit margin for pure gold jewelry products sold by other major market players in 2023 ranged from 15% to 53%, and for gem-set jewelry products, such range was 25% to 69%. As our peers typically engaged in the mixed sales of heritage gold jewelry and regular gold jewelry, we believe our focus on heritage gold jewelry will differentiate us from our peers and enable a relatively higher gross profit margin compared to our peers.

In terms of product variety, we offer rich and diverse range of differentiated heritage gold products, with over 1,800 different original designs the Latest Practicable Date. We use “SPU” to track our different product designs, with one SPU representing one type of product design. SPU gives specifics about the size and type of our products. We also use “SKU” to identify and track each unit of product inventory, with one SKU representing one exact product in stock. As of the Latest Practicable Date, we had over 1,800 SPUs and 2,700 SKUs. In particular, in addition to accessories for daily wear, we have systematically launched a wide range of heritage gold products with greater gram weight, such as ornaments, vessels for daily use and vessels for display, which we believe has formed a product portfolio advantage. Moreover, we believe that the competitiveness of our products also lies in the intricacy and complexity of our products’ design and craftsmanship, as well as the unique cultural and brand identity carried by these products. Through years of accumulation, we have led the development of many new products (such as diamond-inlaid pure gold jewelry and pure gold enamel jewelry products) in the industry. As a result of the foregoing, we have achieved strong competitiveness in product variety compared to other players in the heritage gold jewelry industry, which we believe will facilitate our expansion of boutique network in China. In 2023, over half of our revenue was generated from the sales of gem-set jewelry with various designs, whereas for other major players in the heritage gold jewelry industry, only 1% to 7% of their revenue were generated from the sales of gem-set jewelry products. We believe that our strong research and development capability will enable us to consistently introduce differentiated products to adapt to changes in market trends and customer preferences, thereby expanding our customer base and gaining competitive advantages in the target markets.

We are aware that it is essential to maintain an appropriate balance between effective prevention of cannibalization and promotion of necessary competition among different boutiques. In this regard, we will carefully evaluate and determine the distance between our existing and new boutiques based on our market research and analysis, and will consider various other factors including customer traffic, market demands, customer positioning, and local spending power of the surrounding neighborhood, to minimize unhealthy competition and cannibalization amongst our boutiques. Moreover, to avoid market cannibalization, we assess the number of boutiques that a regional market can accommodate based on the sales potential and coverage rate, and we will control the number of boutiques accordingly. In addition, we implement strong control measures over our boutiques, maintain regular communications with our boutiques, and set direct supervision on their daily operations and performance. For example, we have a system in place where the sales data for each boutique is collected and reported on a daily basis. As of the Latest Practicable Date, we did not experience any material

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disputes caused by cannibalization among our boutiques that are located within the same region. Given that we employ a self-operating model, we have full control over when/where we open our boutiques. We believe that with the continuous and effective implementation of our measures, our risks of cannibalization among boutiques are manageable. However, with the expansion of our boutique presence, there is no assurance that our measures to mitigate such potential cannibalization can always be successful, the occurrence of which could, in turn, adversely affect our business, financial condition or results of operations. For details, see “Risk Factors — Risks Relating to Our Business and Industry — We are exposed to risk of cannibalization between our existing and new boutiques” in this prospectus.

Since we adopt a self-operated business model for all of our boutiques and significant investment for inventories is required for each new offline store, the initial cost for opening a new boutique is relatively high. We estimate that the average initial cost for opening one boutique is approximately RMB30 million, which primarily include rental expenses or concession fees, renovation expenses, deposits required by shopping malls, staff costs and inventory costs. Therefore, our expansion in the past was largely limited by our then available capital resources. We intend to apply 73.3%, or approximately HK\$523.3 million of net proceeds we receive from the Global Offering to support our expansion plans in China and overseas. For more details, see “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

### **Our Online Sales Channels**

In order to provide consumers with convenient multi-channel shopping experience and cater to our consumers’ evolving consumption patterns, we make our products available on two nationwide e-commerce platforms, JD.com and Tmall, which are independent third-parties. Our gold jewelry products can be easily accessible by our consumers via online platforms.

As of the Latest Practicable Date, we had two flagship stores on Tmall.com and JD.com respectively. We operate our online flagship stores directly and retain ownership of the products until our customers confirm their acceptance of the products delivered. The e-commerce platforms charge us platform and service fees which consist of annual fees and fees in an amount based on our sales through each platform. In 2021, 2022 and 2023, our customer acquisition cost per new customer was RMB319.0, RMB371.4 and RMB142.2, respectively. We have also developed a WeChat Mini Program to promote our customer experience and increase our online sales. Our customers can contact our sales staff on our WeChat Mini Program in real-time. We also provide consistent customer service across both our online and offline sales channels. As we continue to expand our footprints online, we believe we are able to broaden our consumer coverage and forge a lasting connection between our brand and consumers.

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### *Salient Terms of Collaboration Agreements With E-Commerce Platforms*

We entered into collaboration agreements with e-commerce platforms based on their standardized forms which usually contain the following salient terms:

- *Duration:* Generally one year, automatically renewed unless we fail to meet the renewal conditions set by the e-commerce platforms, including our prepayment of deposits and no record of violation of prior agreements. During the Track Record Period, all such conditions were met;
- *Service fees:* Fixed annual fees and variable service fees based on our sales at a rate of 0.5%-0.6%, subject to a deduction if our annual sales meet certain threshold;
- *Services provided by e-commerce platforms:* cyberspace, technical support, system maintenance and so forth;
- *Credit and payment terms:* Fixed annual fees are generally settled on an annual basis, and variable service fees are generally settled on a daily basis;
- *Termination:* the e-commerce platforms may terminate the agreements by giving a 15-30 days of prior written notice or if we default; we may terminate the agreements by giving a 30-day prior written notice or application for termination, depending on the provisions of different e-commerce platforms.

In terms of our WeChat Mini Program, we are not subject to any annual fees or service fees.

### **Our Sales Team**

Our sales team is responsible for developing and managing the relationship of our brand with, and conveying our core brand values to our customers. Our sales team also includes a customer care team which supports our customers who have purchased products through our boutiques or our online stores. We provide lifetime maintenance for our products sold offline or online. For details regarding our customer services, see “— Product Warranty and Customer Services” in this prospectus.

The sales data for each boutique and online sales channel is collected and reported on a daily basis. This allows the store managers and our senior management to monitor the performance of our various sales channels in real time. We provide training to our employees in the sales team so as to enable them to properly present the core values of our brand to our customers. The managers of our sales team are responsible for monitoring the training and development of the sales team.

### **Sales Seasonality**

We experience seasonal fluctuations in demand for our products. The peak seasons include the Mid-Autumn Festival and the PRC National Day holiday, the period from Christmas till Chinese New Year, and the period from Chinese New Year till Valentine’s Day. Besides, the third-party platforms where we sell our products also have many shopping festivals that affect market demand, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). Therefore, we typically recorded higher sales in the first and fourth quarters of a calendar year during the Track Record Period. As a result, comparisons of our sales and operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate according to seasonality. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — Our sales may be affected by seasonality” and “Financial Information — Significant Factors Affecting Our Results of Operations — Sales Seasonality” in this prospectus.

### **MARKETING AND PROMOTION**

#### **Our Marketing Strategy and Promotion Channels**

We believe that ultimately, our reputation has been, and will continue to be, built upon our product and service quality, and that the most effective marketing channel is the spontaneous word-of-mouth referral by our satisfied customers. Our marketing efforts focus on entering reputable shopping malls that are in line with our brand positioning, and display advertisements at or around such shopping malls to precisely capture our target customers. In the meantime, we recognize the importance of long-term investment in brand building and consumer education. Our marketing and promotion strategy has played an important role in the enhancement of our brand recognition and the increase in our sales. We market our brand and products on an ongoing basis through various channels, such as product and brand advertisement on social media. We also actively participate in promotion activities hosted by shopping malls that we collaborated with, or shopping festivals by third-party e-commerce platforms including Tmall and JD.com.

Aside from conventional marketing activities, we also market our brand and products through pop-up stores. Same as our boutiques, we choose premium and high-traffic locations for our pop-up stores, which align with our brand’s image and attract our target customers. We also spend effort in the design of our pop-up stores to create an atmosphere where the stores’ visual elements and decor are in line with our brand values. We provide customers of our pop-up stores with the same interactive and immersive experience as they would have in our offline boutiques.

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### Our Marketing and Promotion Team

Our marketing team is in charge of introducing our brand to potential customers, advertising our new collections and coordinating our marketing efforts across different channels.

As part of our marketing strategy, we strive to maintain consistency in our brand perception across all communication channels and all markets in which we operate. Our marketing team is the gatekeeper of our overall brand image to ensure that all our collections are designed and presented in ways that are consistent with our core brand values. The marketing team is responsible for managing our marketing channels and marketing efforts to maximize the exposure of our brand and products to our target customers.

### PROCUREMENT AND PRODUCTION

#### Procurement

Our procurement process includes sourcing raw materials from our suppliers and negotiating the purchase price of the raw materials. Our procurement team determines the quantity and type of raw materials needed, taking into account the specific designs and the estimated sales demand for our products. Our procurement team negotiates the purchase price with our suppliers, and enters into purchase agreements and place orders with them.

The raw materials for our gold jewelry products primarily comprise gold, diamonds, other gemstones, and other raw materials such as packaging material. Gold is our primary raw material used in the production of our gold jewelry products, accounting for 94.4%, 93.6% and 92.5% of our raw material costs in 2021, 2022 and 2023, respectively.

#### Gold

The following table sets forth a breakdown of the purchase amount (exclusive of tax) and purchase volume of our raw materials by type for each year comprising the Track Record Period:

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Purchase Amount (RMB'000)</b>			
Gold . . . . .	717,610	664,748	1,987,065
Diamond . . . . .	58,230	53,687	175,138
Other gemstones . . . . .	3,561	1,897	11,326
Others . . . . .	9,688	17,461	26,477
<b>Purchase Volume</b>			
Gold (g'000) . . . . .	2,162	1,912	4,908
Diamond (carat'000) . . . . .	21	16	63
Other gemstones (unit'000) . . . . .	130	157	640
Others (unit'000) . . . . .	190	233	359



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We have strict standards for selecting the raw materials we use, which provides assurance of the quality of our products. We only procure Au9999, the finest gold traded on the Shanghai Gold Exchange, from our suppliers. We sourced other gemstone raw materials from suppliers who meet our specific standards. Specifically, we require that, among other things, diamond and gemstone suppliers have no record showing material administrative penalties in the past or material or highly frequent litigations in the last three years, possess relevant expertise and knowledge for fulfilling contract obligations, have sound internal financial and accounting systems, and provide reasonable purchase prices. We select our suppliers of raw materials based on their reputation in the industry, the soundness of their financial management, the quality of the raw materials, the lead time to deliver the raw materials, their pricing, their compliance with regulations for operation, and their qualifications (e.g., members of Shanghai Gold Exchange). We require our suppliers to respect and follow our compliance policies, including policies on anti-bribery. For each batch of raw materials we procured from suppliers, we will randomly select some samples and deliver them to qualified precious metal testing organizations, which are independent third-parties, to inspect their authenticity and quality. According to Frost & Sullivan, our procurement method and purchase prices were in line with the industry norm.

During the Track Record Period, our purchase prices (inclusive of tax) for gold were generally in line with the then prevailing market prices (inclusive of tax) of Au9999 traded on the Shanghai Gold Exchange. See below table for details:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB/g</i>	<i>RMB/g</i>	<i>RMB/g</i>
Average purchase price <sup>(1)</sup> . . . . .	374.4	392.0	453.5
Average annual spot price . . . . .	374.5	392.2	449.9

*Note:*

- (1) Average purchase price equals our total purchase amount of gold (inclusive of tax) for the respective year divided by the total purchase volume of gold for the same corresponding year.

We formulate annual procurement plans primarily based on our business planning and inventory levels, and adjust our plans on a monthly basis according to the actual situations.

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As a result, there was no material discrepancy between the quantity of gold purchased (as raw materials) and sold (as finished goods) by us during each of the years comprising the Track Record Period. The following table sets forth the movements of the quantity and amount of the Company's gold purchased (as raw materials) and sold (as finished goods) during each of the years comprising the Track Record Period:

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	<i>(g'000)</i>	<i>RMB</i>	<i>(g'000)</i>	<i>RMB</i>	<i>(g'000)</i>
<b>Gold purchased (as raw materials)</b> . . . . .	717,610,225	2,162	664,748,396	1,912	1,987,065,283	4,908
<b>Gold sold (as finished goods)</b> . . . . .	733,801,726	2,001	742,279,565	1,940	1,823,251,246	4,181

The amount and volume of gold purchased and sold remained relatively stable from 2021 to 2022, and experienced a significant increase from 2022 to 2023. These movements were generally in line with the changes our revenue during the Track Record Period and reflected the increasing market demand of our products in 2023.

For 2021, 2022 and 2023, the average purchase price for our diamond raw materials was RMB2,772.9/carats, RMB3,355/carats and RMB2,780/carats, respectively. The fluctuation in our average purchase price for diamond raw materials during the Track Record Period was primarily related to the change in the composition of different sizes of diamonds purchased in each year. In 2022, in light of the increasing popularity of our gem-set jewelry in the market, we purchased more diamonds above 30 points in preparation for future business needs. The prices of diamonds above 30 points are generally significantly higher than those below 30 points, resulting in the average purchase price for all diamonds purchased in 2022 being higher than 2021 and 2023. During the Track Record Period, the majority of diamonds purchased by us were diamonds less than 10 points, and our average purchasing price for these diamonds gradually increased during the Track Record Period, which is in line with the industry trend, according to Frost & Sullivan.

We typically enter into framework procurement agreements, or agreements for a term of one to two years, with our major raw material suppliers. The agreements are typically renewable upon mutual agreement. For more details of the salient terms of the procurement agreements we entered into with our major gold supplier, see below “— Our Customers and Suppliers — Our Suppliers” in this prospectus. We place orders with our suppliers based on our procurement plans, and settle with them by prepayment or payment upon delivery of goods under a credit term according to the payment terms negotiated between our suppliers and us. We have stable relationships with our major suppliers.

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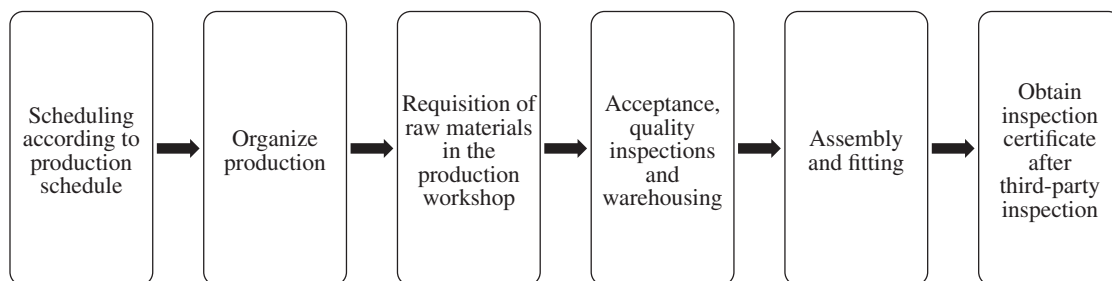
Since we primarily use gold, which is a commodity with standardized specifications available from a wide range of suppliers in the market and are widely traded on precious metal exchanges with transparent spot prices, we are not subject to significant risks in relation to shortages or delays in the supply of raw materials. We had developed stable relationship with our key suppliers through years of cooperation. Although we procured the majority of our raw materials from our largest supplier in each year during the Track Record Period, we believe that the relevant reliance risk is manageable. For a detailed analysis, see “— Our Suppliers” below in this section. During the Track Record Period, we have not experienced any shortages or delays in the delivery of raw materials required for our production that had a material adverse effect on our business operations. For detailed risks relating to our raw materials, see “Risk Factors — Risks Relating to Our Business and Industry — Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition” in this prospectus.

### **Production**

We have adopted a production model that primarily uses in-house production and is supplemented with outsourced production.

#### *Internal Production*

We began to manufacture jewelry products in-house since the establishment of our own factory in 2018. The manufacturing process of each of our in-house manufactured products involves heritage handicrafts. The production cycle of our products varies considerably from product to product. For example, in 2023, our own factory produced approximately 79,000 products, of which around 20.4% were produced in no more than 25 days; around 48.7% were produced in 26 to 35 days; around 27.9% were produced in 36 to 50 days; and around 3.0% were produced in 51 to 90 days. We believe our extensive manufacturing experience and know-how ensure that we consistently deliver high quality products. The following diagram illustrates our internal production process.



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Our production process for gold jewelry products includes:

- (i) **Basic Production Process.** This process includes:
  - a. Wax Ejecting (蠟模製作): Based on design blueprints and casting requirements, create wax pieces;
  - b. Investment Casting (失蠟成型): Use wax to create the casting model, then fill it with refractory material to form the mold. After heating and baking, the wax model completely melts away, leaving an empty shell. Molten gold is then poured inside to create the object;
  - c. Core Removal (內壁去除): Remove internal fillings;
  - d. Sand Hole Repair and Polishing (砂眼修補打磨): Repair minor surface imperfections in the gold item by welding, followed by polishing and refining the surface using tools like sandpaper and files.
- (ii) **Traditional Handcrafted Goldsmithing.** After the traditional casting process is complete, use techniques such as engraving, inlay, and heat treatment of enamels to intricately refine gold jewelry according to different product designs.
- (iii) **Overall Surface Treatment.** After completing the traditional handcrafted processes mentioned above, the product undergoes overall surface treatment. This treatment includes surface cleaning, high-temperature processing, polishing, and finishing to achieve the desired color and smoothness on the gold item's surface. We strive to ensure a clean, impurity-free surface and create an effect that manifests a shape that is full and plump with abundant details and a surface texture that is uniform, smooth, and rich in depth.
- (iv) **Subsequent Product Handling.** All products go through semi-finished product quality inspections. Semi-finished products that pass inspection undergo assembly, final product quality checks, product storage, third-party testing, packaging preparation, and printing of product certificates before being stored in the warehouse or shipped to stores.

Our gold loss rate was 1.66%, 1.48% and 1.64% in 2021, 2022 and 2023, respectively.

Our annual production schedule is based on our annual historical sales as well as annual plans for launching new products and opening of new boutiques, and determines the production volume and number of employees required. Our supply chain department adjusts monthly plans for product delivery based on sales and production volume to ensure stable supply of raw materials.

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### *Our Facility*

We have one factory for the manufacturing of our gold jewelry products located in Yueyang, Hunan (“**Yueyang Factory**”), which was opened in 2018, with a total GFA of approximately 15,000 sq.m. in the production area. Our Yueyang Factory had 340 employees in total as of December 31, 2023.

### *Equipment and Machinery*

Since our products feature Chinese traditional handmade gold craftsmanship, the manufacturing of our products does not usually involve the heavy use of machinery or equipment. Our Yueyang Factory is equipped with certain machines such as precision carving machine (精雕機) and wax injection and spraying machines (注/噴蠟機) to facilitate our handmade procedures, but we do not regard any equipment or machinery as being material to our manufacturing process. We regularly inspect and maintain our production equipment and machinery and replace worn consumable parts and components.

### *Production Capacity*

Our products feature traditional handmade gold craftsmanship. As such, our production capacity is primarily determined by the production manpower of our factory and the working hours of our production workers. There is no meaningful difference in our production capacity for producing pure gold jewelry and gem-set jewelry as we do not allocate manpower by these two product types. The following table sets forth the breakdown of our production capacity, actual production volume, and utilization rate over the Track Record Period:

	For the Year Ended December 31,		
	2021	2022	2023
Maximum Production Capacity (g) <sup>(1)</sup> . . .	1,465,000	1,487,000	2,466,000
Actual Production Volume (g) . . . . .	1,464,883	1,373,285	2,754,346
Utilization Rate (%) <sup>(2)</sup> . . . . .	100.0	92.4	111.7

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#### *Notes:*

- (1) Our maximum production capacity was estimated by our management based on (i) the average number of production workers during the respective year; (ii) our production workers working eight hours per day and around 250 days per year; and (iii) our production lines being operated on a one-shift per day basis. As of December 31, 2021, 2022 and 2023, we had 128, 146, and 232 production workers, respectively.
- (2) Utilization rate equals actual production volume divided by maximum production capacity.

Our maximum production capacity increased from 2021 to 2022, primarily because we recruited more production workers in 2022. However, our actual production volume decreased in 2022 due to the impact of COVID-19, resulting in a slight decrease in our utilization rate. In 2023, the sales of our products increased significantly, and to meet the market demand, we

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recruited more production workers and arrange them to work over time to the extent permitted by the applicable PRC laws and regulations. Though our utilization rate exceeds 100.0% in 2023, we did not experience any material delays in the production and delivery of our products to our customers as we may engage external manufactures when needed. We will also consider to recruit more production workers in the future to meet the increasing market demand.

Our production personnel are mainly divided into three levels: workers, technicians, and directors. We regard all personnel at the level of technicians and directors as skilled craftsmen. The main functions of our skilled craftsmen include: (i) being responsible for formulating and controlling the overall production process, participating in the overall control of product design, product development, technological innovation, production management, etc.; (ii) carrying out apprenticeship in our daily production activities, and being responsible for training workers and supervising their work results. Under the supervision and guidance of skilled craftsmen, workers can complete the production of most products; and (iii) personally handling a small number of processing steps with high technical difficulty, such as complex carving processes and the process of “opening the face” of Buddha statues (佛像開面), which determines the statue’s expression and aura and requires not only skills but also aesthetic tastes. As of December 31, 2021, 2022, and 2023, and the Latest Practicable Date, we had ten, 19, 52, and 70 skilled craftsmen, with an average age of approximately 33 as of the Latest Practicable Date, and an average working experience of over ten years. The following table sets forth retention rate and utilization rate of our skilled craftsmen during the Track Record Period and up to the Latest Practicable Date:

	For the Year Ended December 31,			From
	2021	2022	2023	December 31,
	2021	2022	2023	2023 to the Latest Practicable Date
Retention Rate (%) <sup>(1)</sup> . . . . .	88.9	100.0	94.7	88.5
Utilization Rate (%) <sup>(2)</sup> . . . . .	100.0	92.4	111.7	120.9

*Notes:*

- (1) Retention rate refers to the percentage of our skilled craftsmen who stayed on-staff from the beginning of the respective year to the end of that same corresponding year. Retention rate does not reflect hiring of new skilled craftsmen during the corresponding time.
- (2) Utilization rate equals the actual working hours of our skilled craftsmen divided by their assumed standard working hours, i.e., eight hours per day and around 250 days per year.

The retention rate of our skilled craftsmen remained relatively stable throughout the Track Record Period and up to the Latest Practicable Date. Our retention rate was below 100.0% in 2021, 2023, and the period from December 31, 2023 to the Latest Practicable Date, primarily because one skilled craftsman in each of 2021 and 2023, and six skilled craftsmen in the period from December 31, 2023 to the Latest Practicable Date left for personal reasons.

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The utilization rate of our skilled craftsman decreased from 100.0% in 2021 to 92.4% in 2022, primarily due to the decrease in our actual production volume as a result of the impact of the COVID-19 pandemic in 2022. The utilization rate of our skilled craftsmen then increased to 111.7% in 2023, primarily because with the significant increase in the sales of our products, to meet the market demand, we recruited more skilled craftsmen and arranged them to work over time to the extent permitted by the applicable PRC laws and regulations. The utilization rate of our skilled craftsmen remained relatively stable at above 100.0% in the period from December 31, 2023 to the Latest Practicable Date.

We have put in place several training and succession policies to promote the sustainability of craftsmanship techniques within our Group. For example, we carry out apprenticeship in our daily production activities, so that our other production workers can get direct professional training from our skilled craftsmen in their daily practice. We select and cultivate talented personnel for each type or types of the crafting techniques. In light of the high retention rate of our skilled craftsmen during the Track Record Period and up to the Latest Practicable Date, we believe our risk of technique loss is remote.

Although all of our heritage gold jewelry involve some degree of manual processing, not all of the product processes are complex enough to require skilled craftsmen to handle them personally. Even for products with complex processes, only some of the steps require the involvement of skilled craftsmen, and the remaining processes are relatively standardized and can be handled by other production workers after training. We believe that our current hybrid production model combining in-house and outsource production is able to support our business scale. We will also consider recruiting more production personnel (including but not limited to skilled craftsmen) in the future, if needed, to meet the increasing market demand.

### ***Outsourced Production***

We engage external manufacturers to produce pure gold jewelry and gem-set jewelry products for us. We possess the skills and techniques to produce all of our products, and do not have to rely on any external manufacturers to produce any of its products. Products that are outsourced by us typically include those with simple processes and large quantities (such as gold bars and ear pins), or those with time-consuming processes (such as diamond-set products). According to Frost & Sullivan, it is common for heritage gold jewelry retailers to engage external manufactures to meet their planned production and sales volume, and the number of external manufacturers engaged by us is generally in line with the industry average. During the Track Record Period, outsourcing processing fees took up 2.3%, 2.0% and 2.3% of our total cost of sales in 2021, 2022 and 2023, respectively. We engaged a total of 9, 8, and 7 external manufacturers for the production of our jewelry products in each year comprising the Track Record Period. Our Directors confirm that, during the Track Record Period, all the external manufacturers engaged by us were Independent Third Parties.



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We typically enter into outsourcing processing agreements with our external manufacturers for a term ranging from one to five years, renewable upon both parties' mutual agreement. We provide external manufacturers with major raw materials such as gold and/or diamonds and pay processing fees to them. We may require them to provide pledge or mortgage to secure their completion of production obligations, which according to Frost & Sullivan, is reasonable and in line with the industry norm. We place processing orders with external manufacturers based on our production, and specify in each order the design and specifications of the jewelry products to be produced, and production schedule. Fees payable to these external manufacturers are calculated based on the weight of the products and the difficulty of crafting techniques used. We typically settle with our external manufacturers by payment upon their completion of processing services under a credit term of 30 to 60 days.

We have stable relationship with our external manufacturers, which effectively enhances our production capacity and enriches our product portfolio. According to our internal policy, we have developed detailed and comprehensive evaluation criteria in selecting external manufacturers. When choosing appropriate external manufacturers, we may consider their industrial capabilities, reputation, processing capabilities, pricing, timeline of delivery of work-in-progress, their compliance to regulations of operations, and their financial management capabilities when choosing appropriate external manufacturers. We will review the qualifications of our existing external manufacturers on annual basis. We require our external manufacturers to respect and follow our compliance policies, including policies on anti-bribery.

We have established years of cooperation with some of our existing external manufacturers; however, such relationships benefit a smooth supply of our products to the market, and do not indicate any reliance on any single external manufacturer. As confirmed by Frost & Sullivan, there are a large number of jewelry manufacturers available in the heritage gold jewelry market. We do not see any obstacle or impediment in establishing new cooperations with other external manufactures available in the market.

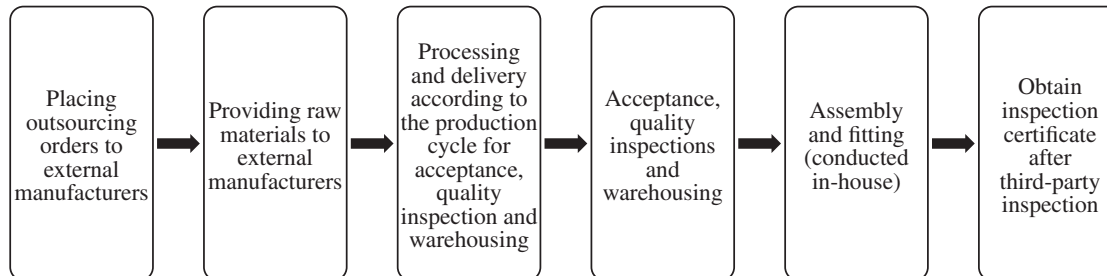
External manufacturers can effectively supplement our in-house production capacity. In the event that our external manufacturers terminate their business relationship with us, we may be unable to find qualified external manufacturers on a timely basis and on commercially acceptable terms, and our business, financial conditions and results of operations may be adversely affected. For more details, see "Risk Factors — Risks Relating to Our Business and Industry — We outsourced the production of certain products to external producers and relied on external manufacturers to secure the supply of our products when our in-house production capacity is insufficient. Our brand image and business may be negatively affected by our failure to maintain relationships with our external producers as well as the failure of our contracted external producers to deliver products that meet our quality standards to us on time." However, we believe that this does not constitute a material reliance on any third party, considering that the outsourcing production cost is not significant and there are a large number of alternative external manufacturers available in the market, according to Frost & Sullivan.

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The following diagram illustrates our outsourced production process.



Our outsourced production process for gold jewelry products includes the following:

- (i) ***Placing Outsourcing Order to External Manufacturers.*** We initiate the outsourcing process by issuing production orders to external manufacturers, specifying the details and standards of the products to be produced.
- (ii) ***Providing Raw Materials to Manufacturer.*** We generally supply the required raw materials to external manufacturers before the commencement of the production, ensuring that they have the necessary resources to commence production.
- (iii) ***Manufacturer Processes and Delivers According to Production Schedule.*** External manufacturer adhere to the agreed-upon production volume and delivery timelines, working to meet our production requirements.
- (iv) ***Inspection, Quality Control, and Warehousing.*** Upon receiving the work-in-progress from external manufacturers, we conduct thorough inspections and quality control checks to ensure that the products meet the specified standards. Once approved, the products are stored in our warehouse.
- (v) ***Assembly and Fitting.*** We perform assembly and fitting processes to prepare the products for sale. This may involve combining various components or elements to create the final product. We assemble, fit, and package all of our products in-house, including those processed by external manufacturers.
- (vi) ***Third-Party Testing and Certification.*** We conduct third-party testing to further validate the quality and compliance of the products. Once the testing is successfully completed, we obtain for the relevant products the necessary certification or testing certificates as proof of quality and compliance.

As illustrated in the diagram above, none of the products processed by external manufacturers are directly ready for sale. In 2021, 2022, and 2023, production volume from outsourcing production accounted for 36%, 32%, and 41%, of our total production volume, respectively.

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### Quality Control and Assurance

The high quality of our products is integral to our brand image. We maintain a rigorous quality control function and have a dedicated quality control department to ensure that we produce high quality products on a consistent basis.

Our quality control department is responsible for the assessment and validation of the quality of our products, and performs inspection for all products before they are packaged. Once a product is assessed and accepted by our quality control department, our supply chain management department will send the product to the designated national testing organization for follow-up testing and certification. Our quality control department performs inspection on raw materials on a monthly basis and conducts random inspection from time to time. We make random sampling and testing once a month in order to ensure that the gold content of our products is up to standard and free of harmful substances. We also perform regular equipment inspections and maintenance to ensure that our production equipment performs at optimal levels.

### COMPETITION

According to Frost & Sullivan, the market size of heritage gold jewelry in the PRC in terms of sales revenue experienced a growth from RMB13.0 billion in 2018 to RMB157.3 billion in 2023, achieving a CAGR of 64.6%. Though hindered by the COVID-19 pandemic, the growth of heritage gold jewelry market has stayed positive in 2022. With the transition of main consumer group to the younger generation, there is an increasing market demand for gold jewelry products with unique cultural and brand identity, and a sophisticated fashion sense. As a result, the heritage gold jewelry market is expected to continue to grow and reach RMB421.4 billion in 2028 with a CAGR of 21.8%, according to Frost & Sullivan.

The competition in the gold jewelry market is fierce. Gold jewelry brands need to continuously improve product quality and service levels to attract and retain consumers. Gold jewelry brands need to build brand images and create connections between brands and targeted customers. In addition, the homogenization of design, production, and marketing has begun to emerge in the heritage gold jewelry market. Gold jewelry brands need to constantly follow up on new technologies and innovate new product formats to meet consumers' demands for high-quality and personalized products and establish brand barriers.

We adopt a distinctive business strategy and excel in brand positioning, product theme and style and expansion of sales network. According to Frost & Sullivan, among the key brands in China's gold jewelry market, we are the only brand that focuses on the design, manufacture and sale of heritage gold jewelry. We ranked first in terms of average revenue per boutique in 2022 and 2023 among gold jewelry brands in China.

For more details, see "Industry Overview" in this prospectus.

### OUR CUSTOMERS AND SUPPLIERS

#### Our Customers

We believe that our strong relationship with our customers is imperative to the success of our brand. Our integrated offline and online jewelry retail structure was built and developed to establish our brand and promote our branded products to end user customers. During the Track Record Period, substantially all of our customer base consisted of individual customers. We have not entered into any long-term agreements with our individual customers. We do not extend credit periods to our customers. None of these individual customers accounted for more than 5% of our total revenue. We cooperate with certain shopping malls under concession arrangements, where shopping malls will collect sales proceeds for us from our customers and settle with us later. See “— Our Boutiques — Arrangements with Shopping Malls” for details. Though we receive payments from shopping malls under such arrangements, we do not regard them as our customers according to the relevant accounting policies.

To the best knowledge and belief of our Directors, our five largest customers in each year during the Track Record Period were Independent Third Parties. None of our Directors or their close associates or any of our Shareholders (who, to the best knowledge of our Directors, beneficially own more than 5% of our share capital) had any interest in any five largest customers in each year during the Track Record Period.

During the Track Record Period, we noticed that the purchase amount and frequency from certain of our customers were higher than that of other customers, which may indicate that such buyers are not making the purchases purely for themselves. We understand from Frost & Sullivan that with the rise of social media platform, it is not uncommon in our industry for key opinion leaders (KOLs) or fashion buyers to make purchases for and on behalf of others, and it is not uncommon for certain companies in our industry to actively engage such KOLs or fashion buyers as a means to promote and sell their products. KOLs and/or fashion buyers who made purchases for and on behalf of others are commonly known as “Buyer Customers.” To our best knowledge, currently some consumers are willing to purchase our products through Buyer Customers, primarily because:

- (i) through Buyer Customers, they can obtain our products at a more favorable price, especially when they are not our Loyalty Members. We offer a 5% discount for Loyalty Members who have made accumulative purchases amounting to RMB0.3 million or above (“**Premium Loyalty Members**”). See “— Product Warranty and Customer Services — Customer Loyalty Program” in this section for details. In addition, from time to time, we may participate in shopping festivals/promotional events organized by shopping malls, and provide additional discounts to customers (which could be enjoyed in conjunction with the 5% discounts offered under our Loyalty Membership program). Some Buyer Customers may also have privileged membership cards in certain high-end shopping malls, credit card companies, etc., where our boutiques are located, and may enjoy additional discounts, cash backs, bonus points, and/or other benefits from promotion events organized by shopping

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malls, giving them even more room to offer lower prices to their end-customers while making a profit for themselves. By placing orders through Buyer Customers (we believe it is highly likely that all the Buyer Customers are Premium Loyalty Members, and understand that such Buyer Customers are typically very familiar with the shopping festivals/promotional events organized by different shopping malls and are very skillful in finding, and combining, the relevant discounts/cash backs/benefits that they can enjoy), “smaller” purchasers can enjoy a more favorable price that they otherwise would not be able to enjoy;

- (ii) to our knowledge, given the high value of the products, certain Buyer Customers adopted certain assurance measures and/or value-added services so as to create more incentives for end-customers to purchase our product through the Buyer Customers (for example, allowing the end-customers to make payments to the Buyer Customers at substantially the same time the end-customers pick up the products from the our boutiques). However, such arrangements, if any, are made between the Buyer Customers and their end-customers. We do not provide any special assistance or favorable treatment to the Buyer Customers, other than those pertaining to its Customer Loyalty Program that could be equally enjoyed by other Premium Loyalty Members who are not Buyer Customers; and
- (iii) Although anyone can freely access our online sales platforms, not all of the our products are offered online, and given the high value of the products, some customers prefer to visit the our boutiques to view actual products instead of making purchase decisions merely based on photos presented online. Therefore, a free access to our online sales platforms cannot prevent the existence of Buyer Customers.

This is a spontaneous market behavior that is beyond our control, and not uncommon in the jewelry retail industry, according to Frost & Sullivan.

Further, the fact that a customer made frequent and large amount of purchases does not necessarily indicate that he/she is a Buyer Customer. Though we have put in place certain know-your-customer procedures, we are unable to accurately identify all Buyer Customers. As of the Latest Practicable Date, a total of 10 customers of our customers, upon enquires, had expressly confirmed their identities as Buyer Customers (the “**Confirmed Buyer Customers**”). In 2021, 2022 and 2023, our revenue of RMB25.3 million, RMB50.3 million and RMB209.5 million were attributable to a total of five, six and ten of the Confirmed Buyer Customers, respectively, accounting for 2.0%, 3.9% and 6.6% of our total revenue for the same years, respectively.

We have never entered into any arrangement with any Buyer Customers to purchase our products and then resell them to other customers. We have treated each customer equally, and did not have any special arrangement with these customers with higher purchase frequency, nor did we offer any special discount to any of them, except for the same discounts offered to other customers pertaining to the policy of our Customer Loyalty Program. We have never set any

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sales targets to these buyers, or provided any unusual goods return/refund policies to them that we do not provide to our other customers. Further, we have never reversed any recognized revenue from sales to these buyers for usually high return rate. Therefore, we believe that our sales to these buyers still reflect actual demand of our products and there is no channel stuffing concern for our transactions with these buyers. Same as our other customers, these buyers settle all their payments with us at the same time they make the relevant purchases, and we do not grant them with any credit term and do not have any trade receivables in relation to such buyers.

To the best knowledge and belief of our Directors, none of the Confirmed Buyer Customers in any given year during the Track Record Period have any past or present arrangement or relationships (including financing, family, business, employment, trust or otherwise) with the existing shareholders, directors, supervisors or senior management of our Company or its subsidiaries, or any of their respective associates, other than purchases of our gold jewelry products on normal commercial terms.

If Buyer Customers cease to offer our products to end-customers, some end-customers might choose not to purchase our products, leading to a potential decrease in sales volume. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — If Buyer Customers cease to offer our products to end-customers on terms more favourable than those otherwise available to such end-customers, our business and results of operations may be negatively affected.” However, we believe that it will not have any material adverse impact on the our business and results of operations on the following basis:

- (i) our outstanding sales performance during the Track Record Period were driven by genuine market demand and not reliant on any Buyer Customers. Due to our brand positioning, we believe that its end-customers are inherently less price-sensitive compared to the target customers of regular gold products, and when making purchase decisions, they may place greater emphasis on factors other than price, such as product quality, craftsmanship, design, etc. Therefore, we believe that the favorable prices offered by Buyer Customers cannot decisively influence the purchasing willingness of these customers. Even if they cannot enjoy the favorable prices offered by Buyer Customers, many end-customers are still willing to purchase our products;
- (ii) without Buyer Customers, end-customers who are willing to make purchases regardless of discounts would pay the full labelled prices, possibly increasing the our average selling prices and partially offsetting any negative impact resulting from the potential decrease in sales volume; and
- (iii) if the non-member end-customers register as our members by themselves, we would have a better opportunity to directly serve these customers directly, enhancing their consumer experience, further solidifying our brand reputation and boosting sales. This could also potentially lead them to become Premium Loyalty Members in the future, decreasing their likelihood of purchasing through Buyer Customers.

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We have implemented several know-your-customer procedures. Our boutiques in Macau are required by local laws and regulations to identify customers in respect of cash-settled sales transactions reaching a specific amount; while our Hong Kong Canton Road Boutique and the remaining boutiques in mainland China are currently not required by local laws and regulations to identify customers. For more details, see “Regulatory Overview — Hong Kong — Registration Regime for Dealers in Precious Metals and Stones” and “Regulatory Overview — Obligation to Cooperate for the Purpose of Preventing Money Laundering” in this Prospectus. Although our customers rarely settle with us in cash, we pay close attention to such situations and carefully monitor the amount and frequency of transactions settled in cash. During the Track Record Period, the amount of our sales settled in cash was RMB31.0 million, RMB36.3 million, and RMB112.3 million in 2021, 2022, and 2023, respectively, representing 2.1%, 2.4%, and 3.1% of our total sales amount (inclusive of taxes and other charges payable by consumers) in the same corresponding years. In addition, we have also carried out various other anti-fraud and anti-money laundering measures that are applicable to all our customers, and have exercised heightened scrutiny over such customers with higher purchase frequency. See “— Health, Environmental, Work Safety Matters and Social Responsibility — Business Integrity” for details. During the Track Record Period and up to the Latest Practicable Date, we did not identify any red flags in this regard.

During the Track Record Period, our customer base was highly dispersed, and we were not dependent on any single customer (regardless of whether they were Buyer Customers or customers simply with relatively high purchase amount and frequency). Substantially all of our Loyalty Members during the Track Record Period had an annual purchase frequency of five times or less, and they contributed the vast majority of our revenue in each year comprising the Track Record Period. Revenue derived from our five largest customers in each year during the Track Record Period accounted for only 2.3%, 4.0% and 6.5% of our total revenue, respectively. Revenue derived from our top 20 customers in each year during the Track Record Period accounted for only 5.2%, 6.7% and 10.1% of our total revenue, respectively. Consumers who registered with us and input necessary information through our WeChat Mini Program will become a member. Members who made at least one purchase of our products thereafter will become a Loyalty Member. We categorized our Loyalty Members who made purchases during the Track Record Period into four groups by revenue contribution per Loyalty Member. The table below sets forth the number and revenue contribution of each of the four groups in each year comprising the Track Record Period:

	Purchase Amount per Loyalty Member	2021		2022		2023	
		Number	%	Number	%	Number	%
		<b>Number of Loyalty Members . . .</b>	≥1 million	53	0.1	57	0.1
	0.3-1 million	365	1.0	350	0.9	720	0.8
	50-300 thousand	4,145	11.4	4,028	10.0	9,769	10.5
	<50 thousand	31,949	87.5	35,831	89.0	82,469	88.6



## BUSINESS

		2021		2022		2023	
		Revenue (RMB'000)	% of total Revenue	Revenue (RMB'000)	% of total Revenue	Revenue (RMB'000)	% of total Revenue
Revenue	≥1 million	107,980	8.5	130,195	10.1	505,387	15.9
contribution	0.3-1 million	178,574	14.1	178,521	13.8	344,238	10.8
	50-300 thousand	405,171	32.0	387,677	30.0	945,398	29.7
	<50 thousand	540,108	42.7	565,381	43.7	1,258,677	39.6
<b>Total revenue from Loyalty Members</b>		1,231,833	97.3	1,261,774	97.6	3,053,700	96.0

Based on the above, despite 8.5%, 10.1% and 15.9% of our revenue in 2021, 2022 and 2023, respectively, were contributed by Loyalty Members with individual annual purchase amount of over RMB1 million, in each year comprising the Track Record Period, approximately 90% of our customers made purchases of RMB50,000 or less, and approximately 70% of our total revenue were contributed by customers whose purchase amount was less than RMB0.3 million each. This indicates that our revenue during the Track Record Period mainly came from a large number of highly dispersed customers with relatively small purchase amounts each, and no single customer can exert any material impact on our financial performance.

The following table sets out the revenue contribution of our Loyalty Members by purchase frequency in each year comprising the Track Record Period:

2021					
Purchases in each year	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)	
1-5 <sup>(1)</sup>	35,906	98.3	1,044,865,843	82.6	
6-30	598	1.7	159,682,733	12.6	
30-100	3	0.0	1,527,940	0.1	
>100	5	0.0	25,756,942	2.0	
Others <sup>(2)</sup>	N/A	N/A	32,769,526	2.6	
Total	36,512	100.0	1,264,602,984	100.0	

2022					
Purchases in each year	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)	
1-5 <sup>(1)</sup>	39,638	98.4	1,044,765,734	80.7	
6-30	607	1.5	156,190,656	12.1	
30-100	14	0.0	11,297,038	0.9	
>100	7	0.0	49,520,778	3.8	
Others <sup>(2)</sup>	N/A	N/A	32,446,108	2.5	
Total	40,266	100.0	1,294,220,315	100.0	

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2023

Purchases in each year	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)
1-5 <sup>(1)</sup> . . . . .	91,602	98.4	2,286,360,586	71.9
6-30 . . . . .	1,415	1.5	385,860,176	12.1
30-100 . . . . .	55	0.1	71,976,676	2.3
>100 . . . . .	24	0.0	309,502,985	9.7
Others <sup>(2)</sup> . . . . .	N/A	N/A	125,864,300	4.0
Total . . . . .	93,096	100.0	3,179,564,724	100.0

*Notes:*

- (1) Considering that our target customers typically have a strong purchasing power, we choose 5 times as the threshold to reflect the general consumption habits of the majority of our customers. We believe that this is a reasonable standard to demonstrate the concentration level of our Loyalty Members.
- (2) “Others” refer to customers who made the purchases from us but did not enroll in the membership program.

Based on the above, substantially all of our Loyalty Members during the Track Record Period had an annual purchase frequency of five times or less, and they contributed the vast majority of our revenue in each year comprising the Track Record Period. This also indicates that we did not have material reliance on any high-frequency purchaser to generate our revenue. The total revenue contribution of high-frequency Loyalty Members (who made over 30 purchases in each year) gradually increased during the Track Record Period, primarily due to the significant increase in the number of high-frequency Loyalty Members.

As our sales of jewelry products largely rely on our market recognition and reputation among our customers, any of our failure to manage our relationship with customers may deteriorate our brand and image, which may further materially and adversely affect our business, results of operations, financial condition and our growth strategies. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — We depend on the impact of our “老鋪黃金” (LAOPU GOLD) brand, and any deterioration in our brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.”

### Our Suppliers

During the Track Record Period, we have not experienced any material shortage or delay in the supply. Our major suppliers are raw material providers and production service providers. The aggregate purchases from our five largest suppliers in each year during the Track Record Period was RMB772.1 million, RMB704.5 million and RMB2,144.5 million, respectively, accounting for approximately 95.1%, 93.3% and 95.0% of our total purchases for the respective year. Our purchase from the largest supplier in each year during the Track Record Period amounted to RMB605.9 million, RMB633.8 million and RMB1,826.0 million, accounting for approximately 74.7%, 84.0% and 80.9% of our total purchases for the respective year.

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Our largest supplier in each year during the Track Record Period, Beijing Gongmei Group Limited Liability Company (北京工美集團有限責任公司) (“**Gongmei Group**”), is a qualified supplier of gold in the PRC and a general member of the Shanghai Gold Exchange. Gongmei Group is controlled by a collective asset management association (集體資產管理協會) that is registered by Beijing Municipal Civil Affairs Bureau (北京市民政局) and supervised by Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化委員會). We have maintained a stable relationship with Gongmei Group for the supply of gold for around eight years. Gongmei Group, through its branch, owns Gongmei Emporium (工美大廈), a shopping mall located at Wangfujing Street of Beijing. We operate one boutique which was opened in 2009 in Gongmei Emporium under a concession arrangement. The concession agreement was entered into after arm’s length negotiations and its terms are generally in line with the concession agreements we entered into with other shopping malls. In 2021, 2022 and 2023, the concession fee we paid to Gongmei Emporium (工美大廈) amounted to RMB2.8 million, RMB1.7 million and RMB3.5 million, respectively. To the best knowledge and belief of our Directors, the gold supply business and the shopping mall operation are managed independently and separately by different departments of Gongmei Group. Save as disclosed above, we had no other transactions with Gongmei Group during the Track Record Period and up to the Latest Practicable Date.

Since we are not a member of the Shanghai Gold Exchange and are not qualified to directly made gold transactions at the Shanghai Gold Exchange, during the Track Record Period, we primarily procured gold from the Shanghai Gold Exchange through its qualified members, such as Gongmei Group (which is a general member qualified to conduct proprietary trading business and agency business for corporate clients) and the Industrial and Commercial Bank of China (“**ICBC**”) (which is a financial member qualified to conduct proprietary trading business, agency business for both corporate and individual clients, and other businesses as approved by regulatory authorities). Under the arrangements with Gongmei Group, Gongmei Group will invoice us as it purchases gold based on our instructions from the Shanghai Gold Exchange under its name and then supplies the gold to us. Under the arrangements with the ICBC, we are able to directly place purchase orders to the Shanghai Gold Exchange through our precious metal trading account at the ICBC. Though we did not make direct transactions with the Shanghai Gold Exchange, the Shanghai Gold Exchange will invoice us for our purchases made through the ICBC as we are deemed as the principal of such purchases. Therefore we regard Gongmei Group and the Shanghai Gold Exchange as our suppliers separately, despite that all the gold we purchased from Gongmei Group were also from the Shanghai Gold Exchange. Whether or not the Shanghai Gold Exchange directly invoice us is unrelated to the purchase prices charged by the relevant gold suppliers.

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We procured the majority of our gold materials through Gongmei Group during the Track Record Period primarily because we have established deep trust and a smooth communication mechanism with Gongmei Group through years of business cooperation. During the Track Record Period, we entered into a framework agreement with Gongmei Group each year to procure gold, the salient terms of which are set out below:

- Duration:** ..... • One year from January 1 to December 31
- Transaction Arrangements:** ..... • Gongmei Group is commissioned by us to purchase gold from the Shanghai Gold Exchange during the agreement period
- We place purchase orders specifying the volume and delivery time to Gongmei Group each time when we need gold supplies
- Gongmei Group is allowed to make gold purchases on behalf of us from the Shanghai Gold Exchange if the gold spot price is within a range pre-agreed by us, and if not, our pre-approval is required
- After we made payments to Gongmei Group, Gongmei Group will make gold withdrawal applications for us to the Shanghai Gold Exchange and withdraw the gold from a warehouse designated by Shanghai Gold Exchange
- Gongmei Group will invoice us after the transaction
- Pricing policy:** ..... • The gold purchase price we pay to Gongmei Group generally equals to the spot price of Au9999 traded on the Shanghai Gold Exchange when we place purchase orders plus a commission fee (which is a fixed amount per gram) for Gongmei Group that is pre-agreed by us
- Payment arrangements:** ..... • We shall make full payments of the gold purchase price to Gongmei Group on the same day of withdrawing gold

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The framework agreement with Gongmei Group is silent on the renewal clause. We usually review and renegotiate the framework agreement with Gongmei Group at the end of each year to sign a new framework agreement for the following year. During the Track Record Period and up to the Latest Practicable Date, the salient terms of the framework agreement remained unchanged and we had never met any obstacle in renewing the framework agreement with Gongmei Group. We have renewed the framework agreement with Gongmei Group on January 1, 2024 for one year from January 1, 2024 to December 31, 2024. In addition, we are not subject to any minimum purchase requirements under our agreements with Gongmei Group, and the commission fee charged by Gongmei Group was generally in line with market practice, as confirmed by Frost & Sullivan.

Given that we have cooperated steadily and smoothly with Gongmei Group for years, and has never met any impediment of renewing the gold supply framework agreement with Gongmei Group upon its expiration, we believe that the likelihood of the relationship with Gongmei Group to be subject to material adverse change or termination is low. Based on the Sole Sponsor's due diligence work including, amongst others, (a) reviewing the framework agreements between the Company and Gongmei Group and understanding, amongst others, the key terms and arrangements; and (b) conducting interviews with and background search on Gongmei Group and understanding, amongst others, that there were no material matters which cast doubt on Gongmei Group's ability or willingness to continue to supply gold to the Group, the Sole Sponsor concurs with the Company's views that the likelihood of the Company's relationship with Gongmei Group to be subject to material adverse change or termination is low.

Even if Gongmei Group no longer supplies gold for us, there are many other gold suppliers readily available in the market to supply gold to us at comparable prices. According to the Shanghai Gold Exchange, it has over 140 general and financial members, and each of them is qualified to purchase gold from Shanghai Gold Exchange for non-member organizations like us. We had previously submitted a general membership application to the Shanghai Gold Exchange in December 2020, but our application was not successful because the Shanghai Gold Exchange was controlling the total number of its members. We believe that we have met all the relevant standards of general members as required by the Shanghai Gold Exchange, and other than the exchange's internal policy of maintaining limited slots of membership, there is no impediment for us to become a member of the Shanghai Gold Exchange. The inability to directly purchase gold from the Shanghai Gold Exchange may bring some inconvenience, but considering that the total weight of gold purchased/to be purchased by our Group is not high, and the corresponding total commission required is not material to our business and financial performance, we do not urgently need to obtain such membership status. Nevertheless, we will keep communicating with the Shanghai Gold Exchange from time to time and consider to re-submit membership application when opportunity arises.

We also opened a precious metal trading account at the ICBC in 2019. Our cooperation with the ICBC follows the bank's standard terms of acting as an agent for corporate clients in gold trading transactions, according to which we are able to place gold purchase orders through the account, and pay a commission which represents a pre-agreed percentage of the total purchase prices of our orders. Other than the commission arrangements, there are no significant differences in sourcing gold from Gongmei Group or the ICBC. After comparing their

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respective commission mechanisms and considering the price of gold traded on the Shanghai Gold Exchange when we placed orders, primarily sourcing gold from Gongmei Group instead of the ICBC during the Track Record Period was generally more commercially advisable for us. We will closely follow the market prices of gold and compare the commission charges of gold suppliers from time to time. If we find that any other suppliers' offers are more favorable than Gongmei Group's offers, we are free to place orders through other suppliers like the ICBC.

Based on the above, we believe that our supplier concentration risk is manageable, and that we can readily source gold from other suppliers at comparable prices, terms and quality. Based on the Sole Sponsor's due diligence work including, amongst others, (a) reviewing the agreements/order forms between the Group and its major gold suppliers (or in the case of Shanghai Gold Exchange, ICBC) during the Track Record Period and understanding, amongst others, the key terms and arrangements; (b) conducting interviews with major gold suppliers of the Group (or in the case of Shanghai Gold Exchange, ICBC) during the Track Record Period and understanding, amongst others, that there were no material matters which cast doubt on their ability or willingness to continue to supply gold to the Group; (c) reviewing the list of general and financial members of the Shanghai Gold Exchange; and (d) reviewing the industry report prepared by and consulting with Frost & Sullivan and understanding their views that gold is a commodity with standardized specifications available from a wide range of suppliers in the market and are widely traded on precious metal exchanges with transparent spot prices, the Sole Sponsor concurs with the Company's views that the Group can readily source gold from other suppliers at comparable prices, terms and quality.

Nevertheless, we have highlighted the relevant risks in the Risk Factors section. See "Risk Factors — Risks Relating to Our Business and Industry — We procure raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms or at all." in this prospectus.

For our boutiques in Hong Kong and Macau, we procured gold from Yuen Kee Bullion, a private company incorporated in Hong Kong, in order to produce the gold products for sale at our boutiques outside the mainland China. We commenced business relationship with Yuen Kee Bullion since 2021, when we were preparing for the opening of the Venetian Macao 3F Boutique in Macau. The procurement of gold from Yuen Kee Bullion increased significantly in 2023, making it the second largest supplier for 2023, primarily because we were preparing for the opening of its Hong Kong Canton Road Boutique. Yuen Kee Bullion priced the gold supplied to the Company primarily based on the international price of gold traded in London, which is in line with the gold pricing market practice in Hong Kong, according to Frost & Sullivan. Our Directors, to their best knowledge, confirm that there is no other past or present relationships (including financing, family, business, employment, trust or otherwise) between our Company and Yuen Kee Bullion, their respective shareholders, directors, supervisors or senior management, or any of their respective associates, other than acting as our suppliers on normal commercial terms. During the Track Record Period and up to the Latest Practicable Date, the collaboration between our Company and Yuen Kee Bullion has been stable without any major disputes.

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We made such arrangements in order to comply with the applicable PRC laws and regulations. As advised by our PRC Legal Advisors, a domestic enterprise producing gold products with gold procured in mainland China and then moving such gold products to Hong Kong or Macau for sale is considered as the export of gold products (黃金製品出口) under applicable PRC laws and regulations. To conduct the export of gold products, a domestic enterprise must satisfy the same requirements for the import of gold products and obtain the approval from the PBOC. Since we have not obtained such approval, it is not permitted to procure gold and produce gold products in mainland China for export to its Hong Kong and Macau boutiques for sale. However, if the gold is procured from an enterprise incorporated outside the mainland China and then moved to mainland China for production by a domestic enterprise, with the resulting gold products being moved back to regions outside the mainland China for sale and the weight of gold inbound and outbound being checked by the PRC customs as consistent, the entire procedure may be considered as “processing with supplied materials” (來料加工) and is exempt for the aforesaid approval from the PBOC under applicable PRC laws and regulations.

During the Track Record Period, we procured gold from Yuen Kee Bullion through our overseas subsidiaries and all the gold procured from Yuen Kee Bullion were transported to the mainland China for processing at the Yueyang Factory and/or external manufacturers. We stored the gold procured from Yuen Kee Bullion at Yueyang Factory separately and did not mix it with other gold purchased domestically. Then all the gold products produced with these gold were moved back to our Hong Kong and Macau boutiques for sale. As confirmed by Frost & Sullivan, our gold procurement arrangement mentioned above is a common practice in the industry. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any litigation, dispute, legal action, claim, investigation or other action from any regulatory authorities regarding the movements of gold and gold products between Hong Kong/Macau and mainland China.

Our five largest suppliers in each year during the Track Record Period were Independent Third Parties. We typically prepay for, or make payments under a credit term of 30-60 days to, raw materials or services provided by our five largest suppliers in each year during the Track Record Period through bank transfer. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any five largest suppliers in each year during the Track Record Period. To the best of the knowledge of our Directors, none of the Group, our Directors, senior management, our Shareholders and any of their respective associates has any interest in, or any other past or present relationships with such five largest suppliers in each year during the Track Record Period or their ultimate beneficial owners.



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The following tables set forth the basic information of our five largest suppliers in each year during the Track Record Period, respectively:

***For 2021***

Supplier	Suppliers' Background	Products or Services Supplied	Credit Term	Purchase Amount (RMB'000)	Percentage of Total Purchase (%)	Length of Relationship
Gongmei Group . . . . .	Gold jewelry producer and gold trader, and a general member of Shanghai Gold Exchange	Gold	Prepayment	605,861	74.7	8
Shanghai Gold Exchange* . . . . .	Trading, clearing, delivery and vaulting services provider of gold, silver and platinum	Gold	Prepayment	100,007	12.3	5
Shanghai Hengxinhang Diamond Co., Ltd. (上海恒新行鑽石有限公司) . . . . .	Diamond and jewelry wholesaler	Diamond	30-60 days	36,816	4.5	5
Shenzhen Fuyuan Gongfang Culture Development Co., Ltd. (深圳市福緣工坊文化發展有限公司) . . . . .	Jewelry producer	Outsourced production service	30-60 days	15,996	2.0	7
Shanghai Heartfook Jewelry Co., Ltd. (上海恒達福珠寶首飾有限公司) . . . . .	Jewelry wholesaler and retailer	Diamond	Prepayments required in part, 30-60 days for the rest	13,435	1.7	5

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**BUSINESS**

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*For 2022*

Supplier	Suppliers' Background	Products or Services Supplied	Credit Term	Purchase Amount (RMB'000)	Percentage of Total Purchase (%)	Length of Relationship
Gongmei Group . . . . .	Gold jewelry producer and gold trader, and a general member of Shanghai Gold Exchange	Gold	Prepayment	633,844	84.0	8
Shanghai Hengxinhang Diamond Co., Ltd. (上海恒新行鑽石有限公司). . . . .	Diamond and jewelry wholesaler	Diamond	30-60 days	20,072	2.7	5
Shanghai Zuanfeng Diamond Co., Ltd. (上海鑽豐鑽石有限公司). . . . .	Jewelry wholesaler	Diamond	30-60 days	19,473	2.6	3
Shanghai Gold Exchange* . . . . .	Trading, clearing, delivery and vaulting services provider of gold, silver and platinum	Gold	Prepayment	17,941	2.4	5
Shenzhen Fuyuan Gongfang Culture Development Co., Ltd. (深圳市福緣工場文化發展有限公司). . . . .	Jewelry producer	Outsourced production service	30-60 days	13,131	1.7	7

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### *For 2023*

Supplier	Suppliers' Background	Products or Services Supplied	Credit Term	Purchase Amount (RMB'000)	Percentage of Total Purchase (%)	Length of Relationship
Gongmei Group . . . . .	Gold jewelry producer and gold trader, and a general member of Shanghai Gold Exchange	Gold	Prepayment	1,826,047	80.9	8
Yuen Kee Bullion Company Limited (潤基金業有限公司) .	Precious metal products trader Jewelry wholesaler Diamond and jewelry retailer	Gold	Prepayment	150,654	6.7	3
Shanghai Zuanfeng Diamond Co., Ltd. (上海鑽豐鑽石有限公司) .	Precious metal products trader Jewelry wholesaler Diamond and jewelry retailer	Diamond	30-60 days	76,251	3.4	3
Shanghai Hengxinhang Diamond Co., Ltd. (上海恒新行鑽石有限公司) . . . . .	Precious metal products trader Jewelry wholesaler Diamond and jewelry wholesaler	Diamond	30-60 days	52,758	2.3	5
Shenzhen Fuyuan Gongfang Culture Development Co., Ltd. (深圳市福緣工場文化發展有限公司) .	Jewelry producer	Outsourced production service	30-60 days	38,819	1.7	7

*Note:*

\* Represents the purchases we made through the ICBC, a financial member of the Shanghai Gold Exchange. We opened a precious metal trading account at the ICBC in 2019 and are able to place gold purchase orders to the Shanghai Gold Exchange through the account. Accordingly, the Shanghai Gold Exchange will invoice us for our purchases made through the ICBC. Therefore we regard the Shanghai Gold Exchange instead of the ICBC as our supplier.

**Overlapping Customer and Supplier**

In 2020, we entered into a transaction with one of our suppliers, HK Hoi Fook Jewelry International Group (“**HK Hoi Fook**”), who had provided us with gold raw materials since 2018. To the best knowledge and belief of our Directors, HK Hoi Fook was a gold raw materials provider and an Independent Third Party. We entered into this transaction because as affected by COVID-19 and unfavorable market conditions at that time, we decided to close our boutique in Hong Kong and therefore needed to properly handle the unsold inventories therein. However, there are legal restrictions on the movements of gold products from Hong Kong to mainland China. According to 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》), to import gold products from Hong Kong to mainland China, a domestic enterprise is required to apply for and obtain approval from the PBOC, provided that the enterprise satisfies one of certain requirements, which include that, among others, (i) if the applicant is an enterprise that produces, processes or uses gold products, it shall have necessary production sites, facilities and equipment, meet national standards of pollutant emissions, and have tax payment record of no less than RMB1 million taxes per year for three consecutive years; (ii) if the applicant is a foreign trade operation enterprise managed by an authorized economic operator (enterprise certified by custom and given favorable clearance conditions), it shall have tax payment record of no less than RMB3 million taxes per year for three consecutive years; or (iii) the applicant is an educational institution or scientific research institution that uses gold products for national scientific research projects or key research projects. As back to the time of our transaction with HK Hoi Fook, none of our domestic entity satisfies any of the above conditions, we are not able to ship our jewelry products of the to-be-closed boutique to our other boutiques in mainland China for sale. For more details of the legal restrictions, see “Regulatory Overview — Regulations on the Controlling of the Import and Export of Gold and Gold Products” in this Prospectus. We therefore transferred a portion of such products with a total value of approximately RMB13.9 million to our boutique in Macau. However, after considering various factors such as the product demand and storage capacity of the Macau boutique, the expenses involved in order to securely ship the products to Macau and to properly store them, and the then corresponding gold price at the relevant time, we decided to sell a portion of the remaining jewelry products to HK Hoi Fook, under the arrangement that such jewelry products can only be melted and reused by HK Hoi Fook as raw materials, and cannot be resold by HK Hoi Fook or any other party as merchandises. Because the gold price at the relevant time increased as compared to the time we purchased the corresponding raw material gold, we generated a profit as a result of such transaction. Therefore, HK Hoi Fook became one of our top five customers in 2020 (the “**Overlapping Customer-Supplier**”). We believe that this sale was one-off in nature, was carried out by us primarily as an inventory management measure, and was in line with our commercial interest.

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The following table sets out our revenue from and our purchases amount from the Overlapping Customer-Supplier during the Track Record Period:

	For the Year Ended December 31,			
	2020	2021	2022	2023
<b>Sales to the Overlapping* Customer-Supplier</b>				
Revenue ('000) . . . . .	4,562	–	–	–
As a percentage of				
total revenue (%) . . . . .	0.5	–	–	–
Gross profit ('000) . . . . .	1,126	–	–	–
<b>Purchases from the Overlapping* Customer-Supplier</b>				
Purchase amount ('000) . . . . .	109	1,435	–	–
As a percentage of				
total purchase (%) . . . . .	0.0	0.2	–	–

*Note:*

\* Including the Overlapping Customer-Supplier and its associate.

Our Directors confirm that our sales to and our purchases from the Overlapping Customer-Supplier 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 Latest Practicable Date.

### PRODUCT WARRANTY AND CUSTOMER SERVICES

#### Customer Services

Customer service has always been important to us and to the success of our business and our goal is to deliver personalized customer service and to build on our relationship with our customers. Our sales staff are trained to handle all aspects of a shopping experience from the moment a customer enters a store to the eventual purchase of products by customers. We regularly assess the performance of our sales staff to uphold the high quality and consistency in our customer service.

In addition, we have set up a loyalty member center (會員中心) where our loyalty members are offered with an immersive and professional consumer experience. Incorporating the distinctive theme of a classic Chinese study room in the loyalty member center, we strive to fully showcase our timeless craftsmanship, classic jewelry products, and brand culture. We

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## BUSINESS

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have customer service staff at each boutique who are also responsible for responding to and handling service and product feedbacks from our customers. We conduct monthly reviews of feedback submitted by customers to prevent any reported problems from recurring.

### *Product Warranty and After-Sales Maintenance Service*

We offer a range of after-sales services to our members, including lifetime complimentary basic care services, which encompass simple cleaning and minor adjustments to their jewelry. Members can also enjoy our free fitting service. For jewelry products that require repair due to damage, we provide maintenance and repair services for a fee. No provisions for product warranties were made during the Track Record Period, incurring only insignificant labor costs. There were no significant incidents caused by refunds, returns, or quality-related complaints during the Track Record Period.

### *Sales Return and Exchange*

Generally, we adopt a no-sales-return policy unless otherwise required by local laws and regulations. However, we do permit product returns or exchanges in special cases if the reason for the return or exchange relates to quality issues, though we have rarely experienced such circumstances. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product return that may materially and adversely affect our business and operations.

### *Customer Loyalty Program*

We provide consistent and high-quality customer service across all our offline and online stores to reinforce our brand image, increase customer satisfaction levels and build brand loyalty. Consumer who registered with us and made at least one purchase of our products thereafter can become a member of our Customer Loyalty Program (“**Loyalty Member**”), where we provide our Loyalty Members with lifetime cleaning and basic maintenance services for free. We offer a 5% discount for Loyalty Members who have made accumulative purchases amounting to RMB0.3 million or above. We do not set any minimum purchase threshold for our Loyalty Members.

We have a standard set of procedures to address and respond to customer complaints. Customer complaints are collected through their direct enquiries or our after-service telephone callbacks. We attach great importance to our customers’ feedbacks and complaints to constantly assess customer satisfaction levels and prevent future occurrences of similar issues. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from customers that may materially affect our reputation or business operations.

As a result of our customer engagement efforts, we have built a loyal customer base. As of December 31, 2021, 2022 and 2023, the number of our Loyalty Members reached approximately 97,800, 126,600, and 202,600, respectively.

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We operate our Loyalty Membership Program and prevent the abuse of membership benefits/discounts in practice in the following methods:

- Consumers can register with us and input necessary information (including phone number verified by sending verification code by SMS) through our WeChat Mini Program to become a member, and a membership account will be automatically created in our CRM system accordingly. Members who made at least one purchase of our products thereafter will be labeled as a Loyalty Member in the system. Our CRM system tracks each member's purchase amount on a rolling basis. When a member's cumulative spending reaches RMB0.3 million, the CRM system will automatically upgrade the customer to "Gold Card Member". When a member's cumulative spending reaches RMB0.5 million, the CRM system will automatically upgrade the customer to "Black Gold Card Member". Both "Gold Card Member" and "Black Gold Card Member" are Premium Loyalty Members who are entitled to a 5% discount for future purchases.
- For in-store purchases, members must present their membership QR code for verification of their identity. A member can retrieve his/her unique membership QR code through our WeChat Mini Program. The sales staff, after scanning the QR code, can obtain the member's information recorded in our CRM system to verify his/her membership level and entitlement to the 5% discount, if any. To prevent unauthorized use of the membership QR code, we have launched a dynamic QR code system since March 2024, where each member's dynamic QR code is only valid for one minute after generation. Before that, the membership QR code was static. However, if a consumer did not generate the QR code on-site but only provided a screenshot, our sales staff would contact the member with the QR code through the phone number recorded in the CRM system to verify if the consumer is the actual member or an authorized person. Only after confirming the consumer's identity can they enjoy the membership benefits. Members can also remotely contact sales staff of our boutiques to place orders and we have the following measures to verify their membership and payments:
  - *In terms of membership:* Members who want to make purchases from a boutique remotely need to send a message to the boutique's corporate WeChat account and provide their membership information. After the boutique staff retrieve the membership details in the CRM system and verify the member's identity through phone or SMS, the customers can then enjoy membership benefits.
  - *In terms of payment:* In cases where our boutiques collect sales payments directly, payments are typically made by the customers by transferring funds to the boutique's corporate bank account and the boutiques staff will contact our finance department to confirm that the bank account has received the related payments; In cases where the shopping malls collect sales payments for our boutiques, the boutique's sales staff will provide a payment QR code or the



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shopping mall's bank account to the customers by cellphone (typically via WeChat). After the customers complete the transfer, they will send a screenshot of the payment record to the boutique's sales staff. The sales staff then take this payment screenshot to the shopping malls cashier's deck to confirm that the shopping mall's bank account has received the related payments. Once verified, the sales staff will proceed with subsequent product delivery or other processes.

- For online purchases through third-party e-commerce platforms including Tmall and JD.com, members must first contact our customer service personnel using their registered phone number. They need to send their registered phone number and the third-party e-commerce platform account they want to link to the designated customer service personnel. After verifying the member's information, we will link the member's third-party e-commerce platform account with his/her membership account. Subsequently, only orders placed through this linked account on the third-party e-commerce platforms will be eligible for membership benefits. For orders placed through WeChat Mini Program, members must login the program with their membership number or registered phone number to enjoy membership benefits, if any.

### DATA PRIVACY

We have adopted a range of measures to secure the privacy of our customers, including maintaining a register of our data processing activities, and adopting certain measures to secure data stored in our systems such as web application firewall (WAF) programs, antivirus programs, encrypted network accessibility, double authentication of identities, and the principle of least privilege. We conduct a cybersecurity penetration test annually to evaluate the security of our IT systems. In addition, we have a disaster recovery plan for all our IT applications servers. Our providers for cloud services have implemented redundancy mechanisms and various other mechanisms for data loss protection and disaster recovery, to ensure the safety and stability of our data stored on the cloud. We also employ a variety of encryption technologies to safeguard data security, including full encryption for data backup and transport layer security (TLS) encryption for transmission, which can effectively prevent data from being illegally stolen or tampered with, and ensure authenticity and completeness of data.

As of the Latest Practicable Date, we were approved for the Second Level Protection for Information Security (信息安全等級保護二級), demonstrating our abilities to protect ourselves from certain external malicious attacks and to recover with a period of time if being attacked.

During the Track Record Period and up to the Latest Practicable Date, the types of personal data we collected from our customers primarily include their surname, gender and mobile phone number, and we only collected such information on a voluntary basis. For our online sales, third-party platforms should be responsible for protecting the users' information and we only collected data that is necessary to complete the transaction, such as the customer's

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registered ID and delivery information. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had never received any administrative penalties related to the collection, storage and use of our customers' personal data, and we had never 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 customers' before the collection and use of their personal data, and (iii) we have adopted a range of measures to secure the privacy of our customers, our PRC Legal Advisors are of the view that we have complied with all PRC laws and regulations in relation to cybersecurity and data privacy that are applicable to us, and would be able to comply with all applicable draft laws and regulations when they become effective in current form.

### OUR LOGISTICS AND INVENTORY MANAGEMENT

#### Arrangement With Delivery Service Providers

Our logistics department is in charge of receiving finished goods from our factory, storing those finished goods in our warehouses, picking and packing orders and coordinating with third-party logistics service providers for shipping.

As of December 31, 2023, we entered into delivery service contracts with three well-established Independent Third-Party courier companies to arrange delivery from our factory to warehouses, and deliver orders placed in our online stores to customers.

We enter into service agreements with our logistics service providers for a term of one year, renewable upon mutual agreement. Under the terms of our current service agreements, we are entitled to terminate these agreements if the delivery service providers fail to satisfy our standards and requirements. 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.

#### Inventory Management

Our inventory primarily comprises (i) raw materials, mainly including gold, diamonds, other gemstones, and packaging materials, (ii) work-in-progress jewelry products, (iii) finished jewelry products and (iv) goods in transit. Our inventories turnover days were 357 days, 383 days and 205 days in 2021, 2022 and 2023, respectively. For more details, see "Financial Information — Discussion of Selected Items From Consolidated Statements of Financial Position — Inventories" in this prospectus.

***Inventory Security and Provision Policy***

According to our Gold Purchasing and Processing Management System (《黃金採購加工管理制度》) and our Inventory Counting and Supervision Management System (《存貨盤點及監盤管理制度》), our supply chain management department takes the lead in monitoring our inventory levels and status. We also have in place a comprehensive and robust security system to safeguard our inventory, which include vaults, 24-hour surveillance at our boutiques, daily stock count and monthly inventory count. Further, our vaults have restricted access and only a limited number of authorized staff have the keys and passwords to access gold materials.

We review inventory levels and status regularly through our IT system. We make provisions for obsolete and slow-moving inventory items when they are identified as no longer suitable for use in production or trading, or when their underlying value significantly deteriorates. Our jewelry products are manufactured in response to market demand and inventory turnover so we generally do not have a significant amount of slow-moving or obsolete stock. However, we cannot assure you that we can always accurately predict market trends and events and maintain adequate levels of inventory at all times. Any unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to conduct promotional activities to dispose of slow-moving inventory, which in turn may adversely affect our financial condition and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — Failure to maintain optimal inventory levels, ensure the security or manage the impairment risk of our inventory could have a material adverse effect on our business, financial condition and results of operations” in this prospectus.

***Inventory of Raw Materials***

We determine purchase of raw materials based on our sales performance. The level of our raw materials that we maintain depends on a number of factors, including our anticipated stock turnover, production lead time, sales forecast, boutique expansion plans and market demand and supply of the raw materials.

Our supply chain department is responsible for formulating annual procurement plans of raw materials based on our business planning, then-current inventory levels, market demand, and production progress. Striving to ensure that our level of stock of raw materials is sufficient for our production and product sales, our supply chain department would adjust our procurement plans on a monthly basis according to the actual production and sales situations, after considering the historical sales turnover and anticipated sales trend provided by our sales department. Upon issuing procurement orders each month, our supply chain department would then follow up on the progress of the procurement, utilization of raw materials in production, and stock level of raw materials in real time.

As our procurements are based on our actual needs of production and sales, we generally do not have long aged and/or outdated raw materials.

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### *Inventory of Gold Jewelry Products*

Each gold jewelry product is assigned an identification number. This identification number, along with the details of each product, is linked to our IT system and is tracked and monitored throughout the lifespan of the product with us, from inspection, production, delivery to the boutiques to its final sale to a customer. The inventory levels of our gold jewelry products at our boutiques are determined by product display standards, the sales turnover, and anticipated sales trend. Our management and sales team proactively monitor the turnover and inventory level at each boutique based on sales information that is updated in our IT system on a real-time basis, and arrange for the replenishing of jewelry products accordingly. During peak seasons such as Chinese New Year, the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節), we may replenish the inventory of our boutique more frequently as needed.

As we upgrade and iterate our products from time to time to meet the latest fashion trend, certain gold jewelry products may become outdated. We would gradually reduce the production volume of such products based on our annual product iteration plans. For our long-aged gold jewelry products, we may transfer them internally to our other boutiques with higher sales turnover. We may also consider eliminating and melting those products if they are not sold within an unusually long period.

### AWARDS AND RECOGNITIONS

As a testimony to our achievements and the quality of our products, we have received various awards and recognitions. The following table sets forth our major awards and recognitions we received during the Track Record Period:

<u>Year</u>	<u>Accreditation/Award</u>	<u>Accreditation Organization</u>
2023 . . . . .	Top Ten Jewelry Brands Preferred By High Net-Worth Individuals	Hurun Research Institute (胡潤研究院)
2021 . . . . .	100 New Consumer List (100新消費榜)	Beijing Design Week (北京國際設計周)
2021 . . . . .	Tmall Gold Category Brand Consumers' Mind List (天貓黃金品類品牌人群心智榜單), ranked first in terms of solidity value (價值力指數)	Tmall Consumer Strategy Center (天貓消費者策略中心), Roland Berger and Ali Data

### INTELLECTUAL PROPERTY

As of December 31, 2023, we had registered 526 trademarks, 229 patents and 1,073 copyrights in China and 35 trademarks and 164 patents overseas. Neither the Group nor any of our intellectual properties were the subject of, or to the best of the Directors' knowledge, are expected to be subject to, any disputes or litigation in relation to the infringement of any intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

Our legal department is primarily responsible for protecting our intellectual property. We proactively manage and expand our intellectual property portfolio and monitor the major online platforms for potential infringement of our intellectual property rights. When potential infringement is identified, we take prompt legal or administrative actions.

### HEALTH, ENVIRONMENTAL, WORK SAFETY MATTERS AND SOCIAL RESPONSIBILITY

#### Overview

Corporate social responsibility is a core part of our business philosophy and is crucial for us to create sustainable value for our Shareholders. We are committed to advocating for corporate social responsibility and sustainable development and promoting sustainability at all major levels of business operations. We have implemented a series of environmental, social and corporate governance (“ESG”) related policies, which provides guidelines to the management of our Group's environmental and social and related issues, corporate governance and code of ethics. We will comply with the ESG reporting requirements after the Listing and the responsibility to publish ESG report on an annual basis in accordance with Appendix 27 to the Listing Rules. We will focus on each of the areas as specified in Appendix 27 to the Listing Rules to analyze and disclose important ESG matters, risk management and the accomplishment of performance objectives, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to our Shareholders.

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues and integrate ESG into our Company's strategy and daily operational management. In order to better manage the ESG-related affairs of our Company and prepare disclosure in compliance with requirements of the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in accordance to Appendix 27 of the Listing Rules, upon the Listing or when appropriate, the Board has overall responsibility for developing, adopting and reviewing our Group's ESG-related strategies and policies, and continuously updated to fully comply with the latest laws, regulations and guidelines. The Board is also responsible for identifying, evaluating and managing our ESG-related risks and opportunities and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Board of Directors appoints management and relevant functional departments of ESG to implement ESG-related decisions to ensure that our

operations and business practices align with the relevant ESG strategies. Furthermore, the Board identifies ESG KPIs, assigns relevant targets, reviews performance against ESG-related targets on an annual basis, and revises the ESG strategy as appropriate in the event of material noncompliance. Additionally, we will enhance ESG training programs for our Directors, senior management and staff to elevate their proficiency in ESG matters.

### **Environmental Protection**

We recognize that environmental protection has become a vital component of promoting sustainable development. We have always been committed to improving the environment, emphasizing energy conservation and environmental protection in our production and operation processes, reducing the use of natural resources, and avoiding environmental damage caused by excessive emissions and pollutants.

Our production process involves manufacturing of gold jewelry. Pursuant to the *Categorized Management List for Environmental Impact Assessment of Construction Projects (2021 Edition)* (《建設項目環境影響評價分類管理名錄(2021年版)》) released by the Ministry of Environmental Protection (生態環境部), our production process does not produce substantial heavy pollutants, and our products are not named in the “High Pollution and High Environmental Risk” product list (高污染、高環境風險產品名錄) of the *Comprehensive Environmental Protection Catalog (2021 Edition)* (《環境保護綜合名錄(2021年版)》) released by the Ministry of Environmental Protection (環境保護部). During the Track Record Period, we have strictly implemented various environmental protection measures and complied with environmental protection laws and regulations.

In order to implement the policy of “comprehensive planning, technological innovation, comprehensive utilization, scientific management, and pollution prevention and control” (全面規劃、革新科技、綜合利用、科學管理、防治污染) as stipulated in the *Environmental Protection Law of the People’s Republic of China* (《中華人民共和國環境保護法》), we have in place a comprehensive and effective environment management system and have formulated various policies and operating procedures to regulate and promote environment management, such as the *Environment Protection Policy* (《環境保護制度》) and the *Contingency Plan for Environmental Emergencies* (《突發環境事件應急預案》).

We continually seek to identify and assess the probability and severity of potential ESG-related risks to our business to ensure it can be carried out without material interruption.

### ***Climate-Related Risks***

Physical risks which may impact our business include extreme weather events, which may cause disruption to our supply chain and the operations of our boutiques, and may adversely impact our reputation and financial results. Specifically, we may potentially be impacted by increased operational and maintenance costs for our boutiques, warehouses and offices, as well as increased investment in insurance. The health and safety of our employees may also be endangered, and the flow of consumers to our boutiques may be adversely impacted. See “Risk

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Factors — Risks Relating to Our Business and Industry — We may experience disruptions or delays in our production” and “Risk Factors — Risks Relating to Our Business and Industry — Any catastrophe could severely disrupt our business operations” in this prospectus.

Transition risks occur if governments, particularly the PRC government, amend existing or enact new ESG laws and regulations which affect our business operations. For example, they may enhance sustainability requirements, restrict the materials or processes by which our products are manufactured, and increase our procurement and labor costs. We expect to actively identify and follow global and national trends and strategies to address climate-related issues. Consumer preferences may also change as a result of these laws and regulations, resulting in the need to change our processes and/or products. In addition, we may also face legal risks if we violate environmental pollution policies as a result of our suppliers’ improper discharge of hazardous waste.

### *Nature Resource Uses and Pollutant Emissions*

On top of the risks regarding climate-related issues, we also identify, assess and take actions to manage pollution and natural resources related impacts.

<b>Water and sewage treatment . .</b>	We adhere to green operation to ensure that water consumption is within a reasonable range of use and avoid water waste. Domestic wastewater is treated by septic tanks in the industrial park, and our production wastewater is discharged into sewage collection and sedimentation tanks. After treatment, the production sewage is collected together with the domestic wastewater and discharged into the sewage treatment plant through the city pipeline network.
<b>Use of electricity . .</b>	We endeavor to proactively conserve energy and reduce greenhouse gas emissions in response to the government’s initiatives. We consume electricity at both our production site and our boutiques. We adhere to green operation and closely monitor our electricity uses to ensure that electricity consumption is within a reasonable range of use and avoid power waste.
<b>Waste gases . .</b>	We have waste gas purification devices in our factory. Organic waste gases (wax fumes) and fumes from gold melting produced during the production process are processed through air collection hoods and jewelry waste gas purification devices (alkaline spraying devices using electric mist elimination technology). They are then introduced to the building roof and discharged at a height of no less than 20 meters.



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- Noise** . . . . . We endeavor to use advanced low-noise production equipment to eliminate or isolate noise and dampen vibration.
- Solid waste** . . . Domestic garbage is collected into garbage cans and collected by the sanitation department. Our major production wastes are waste packaging bags, waste gypsum and sedimentation tank slag. These solid wastes are stored in the general solid waste room and regularly sold outside. In addition, a small amount of chemical packaging vessels are generated in the course of using our purification devices, and a small amount of machine oil is generated when using production equipment. They will be temporarily stored in the hazardous waste storage room and then collected by a third-party environmental protection company we entrust.
- Paper usage** . . We endeavor to reduce negative impact on the environment through our commitment to resource saving. We actively promote the idea of paperless workplace, and we encourage double-sided printing of documents in our office.
- Acid chemicals** . . While we do not engage in gold mining, our business involves processing of gold materials that we purchase from Independent Third-Party suppliers. We use acid chemicals in the gold processing process. According to our *Hazardous Chemicals Management Policy* (《危險化學品管理制度》), we use double key security (雙人雙鎖制) to store acid chemicals in lockers that require two keys to open, each held by a different person. We also have in place operating procedures to guide the use of acid chemicals, including posting safety signs and provide staff who uses acid chemicals with personal protective equipment (e.g., gloves). During the Track Record Period and up to the Latest Practicable Date, we did not have any incident of persona injury caused by the use of acid chemicals. In addition, we also emphasize environmental protection during our gold processing process. Water used for rinsing acid chemicals will be properly treated and disposed through our environmental protection equipment, and wastes generated during our processing process will be entrusted to specialized institutions for disposal.
- Packaging recycling** . . . Instead of using plastic packages, we typically use environmental-friendly and recyclable packaging materials so as to protect environment and reduce harm to the Earth.

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### *Resource Consumption and Expenses on ESG-Related Treatment*

Our major production process includes wax ejecting, investment casting, core removal, sand hole repair and polishing. This may produce minimal amount of pollutants such as sewage, waste gases, noise, and solid waste. Our daily operation process also involves consumption of electricity at our boutiques and offices. The following table sets forth our metrics to manage ESG-related issues during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
Water consumption (tons) . . . . .	2,235	2,086	5,116
Electricity consumption (kWh) . . . . .	362,427	402,113	680,856
CO <sub>2</sub> emission (tons)* . . . . .	206.7	229.3	388.3

*Note:*

\* Refers to CO<sub>2</sub> emitted from the consumption of electricity at our Yueyang Factory.

We strive to minimize the impacts of our production and operations on the environment and natural resources and take proactive measures and actions to minimize these impacts. The following table sets forth our expenses on ESG related matters during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of environmental-friendly equipment . . . . .	450.4	140.8	–
Disposal of garbage and solid waste . . . . .	32.5	36.8	36.8
Sewage discharge . . . . .	0.1	0.1	0.1
<b>Total</b> . . . . .	<b>483.0</b>	<b>177.6</b>	<b>36.9</b>

### **Occupational and Workplace Safety**

We attach great importance to occupational and workplace safety. In order to ensure production safety, we have in place a comprehensive and effective safety production management system, and have formulated various standard operating procedures to regulate workplace safety management, such as the *Work Safety Management Manual* (《安全生產管理手冊》), the *Emergency Response Plan for Work Safety Accidents* (《生產安全事故應急預案》), and the *Dual System of Management and Control of Risk Classification and Hidden Risk Investigation and Treatment* (《風險分級管控和隱患排查治理雙體系》). We have established an administrative and security department with the department head as the responsible personnel. We also have safety officers under each of the production management department, quality control department, warehousing and logistics department, finance department, and human resources department, to carry out safety inspection and maintenance in our daily operations.

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We also attach significant importance to safety training and enhance safety awareness among our employees. We conduct regular safety production training and daily production safety inspections, as well as comprehensive safety inspections once a month, to identify and rectify any safety hazards. This approach helps to ensure the safety and well-being of employees and the public near our production facility, and it is important for maintaining our reputation and social responsibility.

We also strictly implement the safety production responsibility system (安全生產責任制). We regularly conduct safety education, training, inspection, and evaluation for employees, especially pre-job training for frontline production employees, to help them understand the production process of our products, master equipment performance, and strictly standardize operating procedures. We continuously improve employees' safety production responsibility and awareness so as to effectively prevent the occurrence of safety accidents. In order to standardize the management of safety incidents, reporting and assessment, we have established a set of standards to classify safety accidents into different severity levels. The disciplinary actions against the directly responsible person, responsible management, and responsible leader are determined based on the severity of the accidents.

In addition, we also have various guidelines and policies in place to ensure workplace safety of our boutiques, such as the *Boutique Safety Management Policy* (《門店安全管理制 度》), the *Contingency Plan for Fire Control* (《消防應急預案》) and the *Contingency Plan for Boutique Theft* (《門店搶盜應急預案》). While preventing property and asset losses due to safety incidents that may happen at boutiques, we strive to provide our boutique employees and our customers with a safe working and shopping environment. We also conduct emergency drills for our employees from time to time.

During the Track Record Period, we did not have any material accidents in relation to occupational and workplace safety in the course of our operation. As advised by our PRC Legal Advisors, based on our Directors' confirmations, we were not subject to any administrative penalties as a result of breach of safety related laws, rules, regulations, or regulatory documents during the Track Record Period and up to the Latest Practicable Date.

### **Employee Care**

We fully protect the legitimate rights and interests of employees on recruitment, dismissal, salary, and benefits to ensure equal opportunities and create a diverse and inclusive working atmosphere to all of our employees. For example, we place great importance on gender diversity, with 62.4% of our employees being female as of December 31, 2023. We also provide work opportunities for people with disabilities.

We have developed a comprehensive human resources system, which clearly lays out the policies on remuneration, holidays, working hours, welfare, reward, dismissal and termination of employment contract. According to the *Labor Law of the People's Republic of China* (《中 華人民共和國勞動法》), the *Labor Contract Law of the People's Republic of China* (《中 華人民共和國勞動合同法》), the *Employment Promotion Law of the People's Republic of China*

(《中華人民共和國就業促進法》) and other relevant laws and regulations, we have formulated various policies and operating procedures to regulate employment management, such as the *Employee Welfare Management Scheme* (《員工福利管理制度》), *Employee Relationship Management Scheme* (《員工關係管理工作制度》), *Recruitment Management Scheme* (《招聘管理制度》), *Employee Overtime Management Requirements* (《員工加班管理規定》), *Reward System for Work Contribution and Work Innovation* (《工作貢獻、工作創新獎勵制度》) and other policies, to ensure the rights and interests of employees on salary, dismissal, diversification, anti-discrimination, and other welfare policies within our systems and management processes.

We offer a comprehensive compensation and benefits package, including salaries, bonuses, maternity leave, and other allowances, on top of social insurance and housing provident fund contributions. For employees who work overtime, we will compensate them according to their base salary and overtime hours, and allow them to take paid leave within a reasonable period of time. We require all our department heads to reasonably allocate manpower in a way that can maximize work efficiency and avoid unnecessary overtime work so as to protect the legitimate interests of our employees. In addition, we also embrace diversity and inclusion, so all our employees enjoy equal opportunities in all respects, ranging from recruitment, training, welfare coverage, career and personal development during their time with us. Besides, we will also continue to encourage a culture of work-life balance, in order to create a positive and comfortable work environment for our employees. Our policy is to treat all employees equally regardless of age and sex. We conduct internal assessment to ensure the fairness of employee compensation, and motivate, attract, and retain outstanding talents through equity incentive plans. During the Track Record Period, we were not subject to any violations of anti-discrimination and fairness principles thereof.

We also have in place succession policies to promote the sustainability of the craftsmanship techniques of our skilled craftsmen. For example, we carry out apprenticeship in our daily production activities, so that our other production workers can get direct professional training from our skilled craftsmen in their daily practice. We select and cultivate talented personnel for each type or types of the crafting techniques. In light of the high retention rate of our skilled craftsmen during the Track Record Period and up to the Latest Practicable Date, we believe our risk of technique loss is remote.

### **Social Responsibilities**

We are committed to contributing to the society welfare and sharing our corporate social responsibilities. We have encouraged our employees to participate in commonwealth events and activities, such as making blood donations, and volunteering on-site to aid communities impacted by the COVID-19. We believe our continuous efforts on promoting public welfare will not only boost the social responsibilities of our employees, but also improves our corporate image and reputation.

**Responsible Supply Chain**

Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. In order to promote sustainable and responsible practices, we have in place various management policies on our suppliers, including the *Quality Standards for Gold Raw Materials and Gold Products* (《黃金原材料和成品質量標準》), the *Management System for Gold Procurement and Processing* (《黃金採購與商品加工管理制度》), the *Quality Standards and Quality Inspection Procedures for Raw Materials* (《輔料質量標準與質檢流程》), and the *Management System for Production and Processing Suppliers* (《生產加工供應商管理制度》). Under these policies, we set specific standards on suppliers if they are willing to establish cooperation with us. For example, in terms of a gold material supplier, we require that, among others, such supplier qualifies as a member of the Shanghai Gold Exchange (in the case that it is a domestic entity), and has sound internal financial and accounting systems. For suppliers we have established cooperation with, we carefully assess and grade each of them based on their respective length of cooperation with us, their qualifications, and the quality of their raw materials and products supplied to us. We typically conduct assessment of suppliers on a monthly and an annual basis. We will also require suppliers with lower grades to rectify until they pass our re-assessment. Further, we have formulated specific standards on the quality, dimensions, weight, and appearance of raw materials and products supplied to us. Our quality inspection staff is responsible for the inspection of raw materials and products pursuant to the standards. Moreover, we also require our suppliers to respect and follow our compliance policies, including policies on anti-bribery, by way of entering into supplemental agreements. Additionally, we primarily procure gold and diamond from Independent Third-Party suppliers who are members of the Shanghai Gold Exchange and the Shanghai Diamond Exchange, respectively. Such state-level institutions typically have stringent requirements on gold and diamond that their qualified suppliers provide to them. According to the *Criteria for Registration and Certification of Supplier of Standard Gold Ingots and of Gold Ingot Grade Qualifications of Shanghai Gold Exchange* (《上海黃金交易所可提供標準金錠企業及其金錠品級資格註冊認定準則》), to become a gold supplier of the Shanghai Gold Exchange, the applicant enterprise is required to, among others, engage in gold refining business for over five years, with gold refining capability of over ten tons per year. The Shanghai Gold Exchange will conduct on-site expert review and random inspection of gold ingots provided by the applicant enterprise. We believe by virtue of their strong supervision and surveillance, we are able to ensure the legality of sources of gold and diamond that we procure from our suppliers.

In the past, we purchased a tiny amount of red coral for processing and manufacturing jewelry products. The red coral we purchased comprised of corallium rubrum (沙丁紅珊瑚) and corallium japonicum (日本紅珊瑚), with the latter involving endangered species. Since our establishment, over 90% of the red coral we purchased were corallium rubrum. As confirmed by our PRC Legal Advisors, we have never received any administrative penalties for the procurement and sales of red coral. We have also obtained confirmation from relevant competent authority evidencing our compliance with relevant laws and regulations regarding the utilization of red coral. We made our last purchase of the endangered corallium japonicum in 2019, and due to the impact of the COVID-19 pandemic, they were not delivered to us until

2020. We have not purchased any corallium japonicum since the last purchase in 2019, and once we have used up the remaining stock, we will not make any purchases of corallium japonicum in the future. In 2021, 2022, and 2023, the procurement amount of red coral took up 0.05%, nil, and 0.03% of our total procurement amount for the same corresponding year, respectively, with none of the purchased red coral being corallium japonicum.

### **Business Integrity**

#### ***Anti-Fraud***

We attach great importance to integrity and anti-fraud and cultivate the culture of compliance. We have always maintained a high-pressure stance against violations of disciplines and regulations, and actively formulated the *Anti-Fraud Management Practices* (《反舞弊管理辦法》). We seek for legal advice in relation to our Group's compliance and operation from time to time. We have strict anti-fraud measures in place in the areas of prevention, reporting, and investigation of fraud. We conduct anti-fraud corporate culture campaigns from time to time to ensure that all employees are aware of our policies in preventing fraud and of their own responsibilities in combating fraud. We have established a fraud risk assessment system and formulated corresponding internal control measures. Our internal control and audit department takes the lead in identifying fraud risks on an annual basis.

We have set up a reporting email address for the prevention of fraudulent conducts and published the reporting telephone number. We actively encourage employees to report any suspected fraudulent conducts and illegal behaviors, with all reported cases being investigated rigorously and in a timely manner. Once a suspected fraud is identified, our internal control and audit department, in conjunction with our legal, human resources and general office staff, will conduct a preliminary assessment, assembles a team of investigators, and forms an investigation report. We soundly implements the whistle-blower protection mechanism, to carry out investigation of complaints and reports following the principles of fairness, impartiality and confidentiality. The whistle-blower and the reported information will be kept strictly confidential. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any fraud activities and had no judicial cases involving fraud.

#### ***Anti-Money Laundering***

We have in place the *Anti-Money Laundering Management Policy* (《反洗錢管理制度》) to cover all business aspects of our operations that may be utilized as a route for money laundering.

In Macau, retailers are required by the relevant laws to identify customers conducting transactions in cash amounting to MOP\$120,000 or more (or its foreign currency equivalent) in a single transaction or within a 30-day period. Accordingly, at our Macau boutiques, we have put in place detailed customer due diligence and record-keeping measures, including, (i) requiring each customer who makes cash payments amounting to MOP\$120,000 or more in a



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single transaction to provide a copy of ID document and telephone number, and to fill out a customer identification form; (ii) checking each customer in cash-settled transactions against the customer information recorded in our system to confirm whether the customer has accumulated transactions in cash amounting to MOP\$120,000 within a 30-day period, and if so, requiring such customer to provide a copy of their ID document and fill out a customer identification form; (iii) requiring each customer who conduct transactions in cash amounting to MOP\$300,000 or more to provide a copy of ID document and telephone number, as well to sign an anti-money laundering declaration and fill out an enhanced customer identification form in addition to the regular form; and (iv) reporting suspicious activities (e.g., the same customer making three or more consecutive cash-settled transactions within a week, the same transaction using checks from different banks, or a single transaction being paid in three or more different ways, the customer requesting for overseas account transfers, the customer requesting to modify invoice amounts (either higher or lower), or cash-out transactions) to our finance department and legal department immediately. We regularly conducts trainings for our sales staff at Macau boutiques for handling cash transactions and recognizing and reporting suspicious activities related to money laundering.

In Hong Kong, under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (the “**AMLO**”), a dealer in precious metals and stones who intends to engage in transaction with a payment or payments in cash of at least HK\$120,000 that is or are made or received in Hong Kong (“**Specified Cash Transaction**”) in the course of business is required to register as a Category B registrant with the Commissioner of Customs and Excise. A Category B registrant is subject to local anti-money laundering and counter-terrorist financing supervision, and is required to put in place measures to identify and verify the specific cash-settling customers. Such regulatory regime was introduced for dealers in precious metals and stones for commencement on April 1, 2023. Our Hong Kong Harbor City Boutique was closed in February 2021, and during its operation, the boutique was not required to record and verify the real names of its cash-settling customers under then applicable laws and regulations. We operated our boutiques in Hong Kong through our subsidiary Lao Pu (Hong Kong) Co., Ltd., which used to be a Category A registrant and became a Category B registrant on June 6, 2024. A Category A registrant is not allowed to conduct any Specified Cash Transaction and is not required by any local laws or regulations to identify and verify the identities of its cash-settling customers. Lao Pu (Hong Kong) Co., Ltd. currently has one boutique in operation in Hong Kong (i.e., the Hong Kong Canton Road Boutique opened on March 31, 2024). Although Lao Pu (Hong Kong) Co., Ltd. has become a Category B registrant, due to its relatively short time in obtaining the Category B registration, the Hong Kong Canton Road Boutique did not engage in any Specified Cash Transaction up to the Latest Practicable Date, and was therefore not required to record and verify the real names of its cash-settling customers. We are currently undergoing employee training and internal system testing. Only after we are well prepared and relevant internal systems are well established, will we begin to engage in Specified Cash Transaction. The Hong Kong Canton Road Boutique will strictly follow the relevant customer due diligence and record-keeping requirements;



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During the Track Record Period and up to the Latest Practicable Date, we were not subject to any litigation, dispute, legal action, claim, investigation or other action from any regulatory authorities regarding its anti-money laundering practices in Hong Kong and Macau.

In mainland China, as advised by our PRC Legal Advisors, we have neither regulatory obligations nor legal rights to record and verify the real names of our cash-settling customers, on the following basis:

- Firstly, anti-money laundering regulations in the PRC currently primarily apply to financial institutions and some special non-financial institutions, and there are no mandatory rules in mainland China requiring business operators in consumption sector to identify customers making cash payments. Therefore, we have no legal basis to require cash-settling customers to provide any identification information;
- Secondly, according to Article 13 of the Personal Information Protection Law of the PRC, we are not allowed to collect customer identification information without consent. Therefore, we cannot compel any cash-settling customer to provide identification information if the customer declines to do so;
- Thirdly, according to the Article 3 of the Regulations of the PRC on the Administration of RMB (《中華人民共和國人民幣管理條例》), we are explicitly prohibited from refusing cash settlements. Therefore, even if none of the customer identification information is collected, we have no legal basis to refrain from engaging in cash-settled transactions.

Nevertheless, we have put in place appropriate internal control measures to mitigate money-laundering risks. Such measures include:

- *Continuously monitoring cash-settled transactions.* We will closely monitor cash-settled transactions for any suspicious patterns or activities (such as customers who settle large amounts in cash refusing to provide any name and/or contact information, and our staff meeting any obstacle when depositing the cash received into the bank). For customers who provide their name and phone number, we will cross-check this information against the customer data collected in its internal system to confirm the frequency of their purchases in order to identify any suspicious patterns or activities. In case there is any suspicious transaction that involves payment of large sum of money, the staff of the relevant boutique will report it in a timely manner to the our legal department and finance department for review. Such suspicious transactions can be cross-verified by internal surveillance video system set up in the boutique. Our legal and finance departments will then analyze the report and make decisions on whether to further report the suspicious transaction to the relevant regulatory authority.

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- *Conducting periodical training to employees.* We carry out training and awareness programs for employees from time to time. Each of our new sales staff will be educated on our policies and procedures for handling cash transactions and recognizing and reporting suspicious activities related to money laundering.
- *Staying informed about regulatory updates and best practices in the industry.* Our legal department closely follows the regulatory updates on anti-money laundering and will seek guidance from regulatory authorities and industry associations for any recommended measures, if any, to enhance its anti-money laundering efforts.

In addition, during checkout, our sales staff at boutiques in mainland China generally inform customers of various non-cash payment options and recommend using non-cash settlements.

As confirmed by Frost & Sullivan, our practice for handling cash transactions in mainland China is in line with the industry norm.

Our internal control consultant has reviewed our internal control systems, and no material deficits were identified as to the implementation and effectiveness of our anti-money laundering measures during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, there had been no suspicious anti-money laundering transactions reported to the relevant regulatory authorities in mainland China and we had not been subject to any fines, administrative penalties or other sanctions, or received any enquiries, notices or warning from any relevant regulatory authorities in relation to violations of applicable anti-money laundering laws or regulations in mainland China.

Considering that (i) under the applicable PRC laws and regulations, the entities obligated to perform anti-money laundering duties are financial institutions and some special non-financial institutions, which does not include gold retailers like us, and (ii) we have already formulated internal control measures to mitigate money-laundering risks, taking into account the specific characteristics of its business, our PRC Legal Advisors are of the opinion that we had fully complied with all statutory anti-money laundering obligations applicable to us under PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

In the future, we undertake to exert more anti-money laundering efforts in mainland China with reference to our established practice in Macau. We have started to enhance our anti-money laundering measures in mainland China. For example, at our leased boutiques in mainland China, we request each customer who makes cash payments amounting to RMB100,000 or more in a single transaction to fill out a customer identification form similar to the one currently used by Macau boutiques. If rejected by the customer, prior approval of our legal department is required for proceeding with the transaction.

**IMPACT OF THE COVID-19 PANDEMIC**

According to Frost & Sullivan, the outbreak of the COVID-19 pandemic since the end of 2019 and the relevant subsequent control measures have influenced the offline sales growth since 2020. As a majority of our revenue was derived from offline sales of gold jewelry products, our sales performance and business operations were also impacted by the COVID-19 pandemic, though our revenue continued to grow during the Track Record Period. According to Frost & Sullivan, it is not uncommon for industry peers to undergo such an adverse impact due to the COVID-19 pandemic.

The COVID-19 pandemic resulted in the closure of one boutique during the Track Record Period. In February 2021, we closed Hong Kong Harbor City Boutique (香港海港城店) after considering the then unfavorable market conditions under the influence of the COVID-19 pandemic. It achieved initial breakeven for a period of approximately two months since its establishment in June 2018, and generated operating profits in each of 2018 and 2019. However, it recorded operating loss in 2020 and 2021 as impacted by the COVID-19 pandemic.

Control measures such as lockdowns and travel restrictions also resulted in the temporary closure of our offline stores. In 2022, most of our boutiques experienced temporary closure. Specifically, for the 28 boutiques that had opened in 2022, 19 boutiques were temporarily closed for a period of 23.2 days on average, ranging from three days to 75 days. Our same-store sales were also affected by the COVID-19 pandemic. For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1,107.3 million in 2021 to RMB911.9 million in 2022, mainly as a result of the temporary closure of our boutiques. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic.

During the Track Record Period, certain of our boutiques incurred net operating losses during their respective operation under the influence of the COVID-19 pandemic. Among our 34 boutiques that have been in operation during the Track Record Period, we had five, three, and one loss-making boutique(s) in 2021, 2022, and 2023, respectively. Net operating losses incurred by our loss-making boutiques amounted to approximately RMB5.2 million, RMB4.6 million, and RMB0.1 million for the same corresponding years, primarily due to the adverse effects of the COVID-19 pandemic from 2021 to 2022, which was substantially eliminated in 2023.

During the Track Record Period, our production activities and supply chain were not materially and adversely affected by the outbreak of the COVID-19 pandemic, but were slightly impacted in 2022. Our actual production volume slightly decreased in 2022 as impacted by the COVID-19 pandemic, which resulted in a slight decrease in our utilization rate in the same year. We did not experience any material shortage or delay in our raw material supplies on account of the COVID-19 pandemic during the Track Record Period.

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Since December 2022, the restrictive measures had been gradually eased. As of the Latest Practicable Date, all of our boutiques resumed normal operations. In 2023, we experienced significant revenue growth and our revenue growth rate from 2022 to 2023 was higher than certain industry peers. This is partially because as compared with our industry peers that opened retail stores in a number far exceeding ours and with a wider coverage in both top-tier cities and lower-tier cities, we operated fewer boutiques, most of which were located in tier-one and new tier-one cities. Our concentration in a few tier-one and new tier-one cities resulted in our business being more affected by the COVID-19 pandemic in 2022 and experienced greater re-bounce in 2023. According to Frost & Sullivan, from 2022 to 2023, the growth rate of heritage gold jewelry market size in tier-one and new tier-one cities was approximately 63.8%, whereas the growth rate of that in other-tier cities (second and lower-tier cities) from 2022 to 2023 was approximately 60.4%. Our significant revenue growth was also attributable to company-specific factors. Specifically, our revenue growth from 2022 to 2023 is attributable to an increase in the average selling price of our products of approximately 14% and an increase in the sales volume of our products of 116%. For detailed analyses on the relevant factors, see “Financial Information — Review of Historical Results of Operations — Year Ended December 31, 2023 Compared to Year Ended December 31, 2022 — Revenue” in this prospectus. Although our revenue continued to grow during the Track Record Period and we had recovered from the impact of the COVID-19 pandemic since 2023, we may face various risks related to health pandemics and other natural disasters in the future. For details, see “Risk Factors — Risks Relating to Our Business and Industry — Any catastrophe could severely disrupt our business operations” in this prospectus.

### INSURANCE

We maintain insurance policies to cover public liability to secure our business continuity. In addition, we have purchased a number of property-related insurance policies covering our facilities, inventories and other assets. For our boutiques in Hong Kong and Macau, we have purchased Property All Risks Insurance or other similar insurances against robbery or related incidents. For our boutiques in mainland China, we generally do not maintain such insurances after considering the local security conditions as well as our security measures, unless it is required by shopping malls. Specifically, given the current domestic security environment, the robbery rate in mainland China is relatively low, especially around renowned commercial centers and shopping malls where many of our boutiques are located. Shopping malls typically have security personnel on duty at the entrances and exits, and arrange daily mobile patrols within the malls. Each shopping mall is also assigned to a police station which will be responsible for its security. Despite of these measures provided by shopping malls, we have implemented several measures to address robbery and related incidents. We carry out training events and drills for our staff from time to time and formulate emergency plans in case any robbery related incident happens. There are also security staff at each boutique to safeguard our in-store daily operations. Each boutique is also equipped with an alarm device and a 24-hour surveillance camera ready for report to shopping mall, police station, and our safety department at our headquarters. We believe that our safety measures to control the risks related to robbery related incidents are sufficient. As confirmed by Frost & Sullivan, it is not uncommon that gold jewelry companies do not maintain insurance against robbery and related incidents in the PRC.

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We review our insurance policies from time to time to assess the adequacy and breadth of coverage. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards in the areas in which we operate. 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” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not made, and were not the subject of, any insurance claims which are material to our business or financial condition.

### EMPLOYEES

As of the Latest Practicable Date, we had a total of 1,026 employees. The tables below set forth the breakdown of our employees by geographic location and by function as of the Latest Practicable Date.

	Number	Percentage of Total Number
<b>Geographic Location</b>		
Mainland China . . . . .	976	95.1%
Hong Kong and Macau . . . . .	50	4.9%
<b>Total</b> . . . . .	<b>1,026</b>	<b>100.0%</b>

	Number	Percentage of Total Number
<b>Function</b>		
Administrative . . . . .	226	22.0%
Sales and marketing . . . . .	465	45.3%
Production* . . . . .	322	31.4%
Research and design . . . . .	13	1.3%
<b>Total</b> . . . . .	<b>1,026</b>	<b>100.0%</b>

*Note:*

\* Including 70 skilled craftsmen as of the Latest Practicable Date, with an average age of approximately 33, and an average working experience of over ten years. For more details of our skilled craftsmen, see “— Procurement and Production — Production — Internal Production — Production Capacity” in this section.

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We have invested considerable efforts and resources in recruiting and training our employees. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination. We evaluate the performance of our employees based on department specific KPI. During the Track Record Period and up to the Latest Practicable Date, we had complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws and regulations in all material aspects and were not subject to any fines or administrative actions due to non-compliance with any relevant regulations.

Our employees are represented by our employee representative union. We believe that we have good employment relationships with our employees. During the Track Record Period, we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

### PROPERTIES

As of December 31, 2023, we did not own any property. As of the same date, we leased 29 properties in Mainland China with a total GFA of approximately 18,844 sq.m., as well as two properties in Macau and one property in Hong Kong with a total GFA of approximately 12,558 sq.ft. Our property leases comprise of two for our Yueyang Factory, five for office use, two for warehouses, and the remaining for our leased boutiques. We do not enter into leases for our concession boutiques. The leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as production facilities, offices, warehouses and retail stores. The term of our leases ranges from approximately one year to ten years, and is renewable upon mutual agreement. We do not foresee any impediments in renewing our existing leases. As of December 31, 2023, lessors of all of our leased properties in the PRC have provided us with valid title certificates as necessary under relevant PRC laws and regulations. All lessors of our leased properties were Independent Third Parties.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of December 31, 2023, we had properly registered eleven property lease contracts out of the 29 properties we leased in the PRC, and we had not obtained proper lease registration for the remaining properties, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. As advised by our PRC Legal Advisors, the non-registration 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 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 of such properties. If we are required to make relevant rectifications, there is no legal impediment for us to continue using our leased properties and carrying out business operations as usual. Considering the above and based on our PRC Legal Advisors' 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.

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### **LICENSES, PERMITS AND APPROVALS**

We are required to maintain various approvals, licenses and permits in order to operate our business. We deem the Business License (營業執照) as our major license, which was in long term and issued by Dong Cheng District Bureau of Market Supervision and Administration of Beijing Municipality (北京市東城區市場監督管理局). During the Track Record Period and up to the Latest Practicable Date, we had obtained all licences and certificates as required by the relevant government authorities and all such licences and certificates were in full force and effect. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in renewing the licences and certificates necessary for our business operations, and we currently do not expect to have any material difficulties in renewing such licences and certificates when they expire.

### **LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE**

During the Track Record Period and up to the Latest Practicable Date, there had been no litigation or arbitration or administrative proceedings pending or threatened against the Group or any of the Directors which could have a material adverse effect on the Group's financial condition or results of operations.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry and markets in which we operate. See "Risk Factors" in this prospectus.

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.

#### **Risk Management and Internal Control Policies**

We have implemented or will adopt upon Listing 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) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Listing Rules.



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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. The CEO designates specific measures and mechanisms for risk management and internal control and ensures 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.

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 prospectus. Our Audit Committee is responsible for ensuring that the processes and procedures recommended by our external auditors are implemented in a timely manner.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Hongqiao Jinji directly held 56,101,300 Shares, representing approximately 39.33% of the total issued share capital of our Company and was deemed to be interested in 9,284,900 Shares held by Tianjin Jincheng of which Hongqiao Jinji is the general partner, representing approximately 6.51% of the total issued share capital of our Company and thus a Controlling Shareholder of our Company. Hongqiao Jinji is owned as to 70% by Mr. Xu and 30% by Mr. Xu Dongbo, the son of Mr. Xu.

As of the Latest Practicable Date, Mr. Xu directly held 31,934,400 Shares, representing approximately 22.39% of the total issued share capital of our Company and Mr. Xu Dongbo directly held 14,319,200 Shares, representing approximately 10.04% of the total issued share capital of our Company.

On November 8, 2023, Mr. Xu and Mr. Xu Dongbo entered into a joint-control confirmation, pursuant to which Mr. Xu and Mr. Xu Dongbo confirmed that they have jointly controlled the management and operation of our Group since the establishment of our Company, and will continue to jointly control the management and operation of our Group. They had agreed to consult with each other and reach a unanimous consensus between themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group and if there is any disagreement between them in respect of the operation and management of our Group, the decisions of Mr. Xu shall prevail. Therefore, Mr. Xu and Mr. Xu Dongbo are deemed to be concert parties.

Pursuant to the Listing Rules and Chapter 1.1C under the Guide for New Listing Applicants published by the Stock Exchange, Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng are regarded as a group of Controlling Shareholders.

Thus, as of the Latest Practicable Date, Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng together were entitled to exercise voting rights attached to the 111,639,800 Shares, representing approximately 78.27% of the total issued share capital of our Company, or 45,584,410 H Shares and 66,055,390 Unlisted Shares, representing approximately 68.87% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). Since Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng together are able to control more than 30% of the voting rights in our Company, they will continue to be a group of Controlling Shareholders of our Company immediately after the Global Offering.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Each of the group of Controlling Shareholders confirms that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our group of Controlling Shareholders and their close associates after the Listing.

### **Management Independence**

Our Board comprises four executive Directors and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. For further details, see “—Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

### **Operational Independence**

We are able to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry out our current business, and has sufficient capital, facilities, technology and employees to operate our business independently from our group of Controlling Shareholders. We have access to third parties independently from our group of Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our group of Controlling Shareholders and their close associates.

### **Financial Independence**

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting and group credit functions of our Company, independent from our group of Controlling Shareholders. We are able to make financial decisions independently and our group of Controlling Shareholders do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

During the Track Record Period and up to the Latest Practicable Date, certain of our Group’s interest-bearing bank borrowings were guaranteed and/or counter-guaranteed by Mr. Xu, Mr. Xu Dongbo and/or their close associates (the “**CP Guarantors**”) through either personal or corporate guarantees (the “**CP Guarantees**”) owned by them (the “**Guaranteed Loans**”). The Directors confirm that no consideration was payable or will be payable to the CP Guarantors for the provision of the CP Guarantees. As at the Latest Practicable Date, the

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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outstanding principal amount of our interest-bearing bank and other borrowings due to the Independent Third Party lenders under the Guaranteed Loans amounted to approximately RMB74.0 million. For details of our outstanding bank loans and credit facilities and the Guaranteed Loans, see “Financial Information — Indebtedness” and Note 33 to the Accountants’ Report in Appendix I to this prospectus. The Company is in negotiation with those Independent Third Party lenders for the full release or replacement of the CP Guarantees with guarantees to be provided by our Group and/or any third party upon the Listing. Further to such negotiation, all those lenders agreed to and/or were willing to initiate their internal procedures in respect of issuance of consent letters to fully release the CP Guarantees or replace them with guarantees to be provided by our Group and/or any third party, subject to their respective internal approval procedures. If such consent letters could not be obtained, all amounts under the Guaranteed Loans will be repaid before Listing. As of the end of each year of the Track Record Period and up to the Latest Practicable Date, our Group had no outstanding balances with any related parties.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our group of Controlling Shareholders and their close associates.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our group of Controlling Shareholders:

- (a) under the Articles of Association, where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our group of Controlling Shareholders or any of their close associates has a material interest, the relevant Controlling Shareholders or their close associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with any of our group of Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) our independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between our Group and our group of Controlling Shareholders (the “**Annual Review**”) and provide advice to protect the interests of our minority Shareholders;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (d) our group of Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed Rainbow Capital (HK) Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interest that may arise between our Group and our group of Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

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## SHARE CAPITAL

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This section presents certain information regarding our share capital prior to and upon the completion of the Global Offering.

### BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of our Company was RMB 142,642,500 comprising 142,642,500 Unlisted Shares with a nominal value of RMB1.00 each.

### UPON COMPLETION OF THE GLOBAL OFFERING

Immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital (%)</u>
Unlisted Shares in issue . . . . .	73,591,840	45.40
H Shares to be converted from Unlisted Shares . . .	69,050,660	42.60
H Shares to be issued pursuant to the Global Offering . . . . .	19,451,300	12.00
<b>Total . . . . .</b>	<b><u>162,093,800</u></b>	<b><u>100</u></b>

Immediately upon completion of the Global Offering, assuming only the Offer Size Adjustment Option is fully exercised and the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital (%)</u>
Unlisted Shares in issue . . . . .	73,591,840	44.60
H Shares to be converted from Unlisted Shares . . .	69,050,660	41.84
H Shares to be issued pursuant to the Global Offering . . . . .	22,368,900	13.56
<b>Total . . . . .</b>	<b><u>165,011,400</u></b>	<b><u>100</u></b>

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## SHARE CAPITAL

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Immediately upon completion of the Global Offering, assuming only the Over-allotment Option is fully exercised and the Offer Size Adjustment Option is not exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital (%)</u>
Unlisted Shares in issue . . . . .	73,591,840	44.60
H Shares to be converted from Unlisted Shares . . .	69,050,660	41.84
H Shares to be issued pursuant to the Global Offering . . . . .	<u>22,368,900</u>	<u>13.56</u>
<b>Total . . . . .</b>	<b><u>165,011,400</u></b>	<b><u>100</u></b>

Immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital (%)</u>
Unlisted Shares in issue . . . . .	73,591,840	43.71
H Shares to be converted from Unlisted Shares . . .	69,050,660	41.01
H Shares to be issued pursuant to the Global Offering . . . . .	<u>25,724,200</u>	<u>15.28</u>
<b>Total . . . . .</b>	<b><u>168,366,700</u></b>	<b><u>100</u></b>



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## SHARE CAPITAL

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### SHARES OF OUR COMPANY

The H Shares, to be issued following the completion of the Global Offering and converted from the Unlisted Shares, and the Unlisted Shares are ordinary Shares in the share capital of our Company, all of which are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, investors of the PRC. H Shares may only be subscribed for and traded in Hong Kong dollars.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

### CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, trading and listing shall complete any requisite internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Our Company has applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of 69,050,660 Unlisted Shares held by 12 existing Shareholders (i.e. 22,440,520 Unlisted Shares being held by Hongqiao Jinji, 12,773,760 Unlisted Shares being held by Mr. Xu, 7,536,450 Unlisted Shares being held by Mr. Chen, 5,727,680 Unlisted Shares being held by Mr. Xu Dongbo, 4,642,450 Unlisted Shares being held by Tianjin Jincheng, 4,351,000 Unlisted Shares being held by Tianjin Jinji, 2,592,500 Unlisted Shares being held by Tianjin Jindi, 1,587,700 Unlisted Shares being held by Tianjin Jinyong, 1,256,100 Unlisted Shares being held by Tianjin Jinli, 2,655,800 Unlisted Shares being held by Xiamen Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (廈門黑蟻三號股權投資合夥企業(有限合夥)) (formerly known as Suzhou Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (蘇州黑蟻三號股權投資合夥企業(有限合夥))) (“**Xiamen Heiyi**”), 2,121,700 Unlisted Shares being held by Suzhou Yimei Investment Partnership (Limited Partnership) (蘇州逸美創業投資合夥企業(有限合夥)) (“**Suzhou Yimei**”) and 1,365,000 Unlisted Shares being held by Fosun Hanxing (Hangzhou) Equity Investment Fund L.P. (Limited Partnership) (復星漢興(杭州)股權投資基金合夥企業(有限合夥)) (“**Fosun**”).

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## SHARE CAPITAL

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**Hanxing**)), representing approximately 42.60% of total issued Share capital of our Company upon the completion of the conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. Based on the procedures for the conversion of Unlisted Shares into H Shares as described below, we may apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the Listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after the Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

### **Listing Review and Approval by the CSRC**

In accordance with 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》) announced by the CSRC, H-share listed companies which apply for the conversion of shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of overseas shares by a joint stock company.” An H-share listed company may apply for a “Full Circulation” separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering.

The Company applied for a “Full Circulation” when applying for an overseas listing with the CSRC on November 14, 2023, and submitted the application reports, authorization documents of the shareholders of unlisted shares for which an H-share “full circulation” were applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company has received the reply from the CSRC dated March 25, 2024 in relation to the approval of the overseas listing and “Full Circulation”, pursuant to which, (1) the Company was approved to issue no more than 54,679,600 H Shares with a nominal value of RMB1.00 each, which are all ordinary shares, and upon this issuance the Company may be listed on the Main Board of the Hong Kong Stock Exchange; (2) a total of 69,050,660 Unlisted Shares and held by the 12 Shareholders of the Company, namely Hongqiao Jinji, Mr. Xu, Mr. Chen, Mr.

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## SHARE CAPITAL

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Xu Dongbo, Tianjin Jincheng, Tianjin Jinji, Tianjin Jindi, Tianjin Jinyong, Tianjin Jinli, Xiamen Heiyi, Suzhou Yimei and Fosun Hanxing (the “**Full Circulation Participating Shareholders**”), were approved to be converted into H Shares, and the relevant Shares may be listed on the Hong Kong Stock Exchange upon completion of the conversion. This reply shall remain effective within 12 months from the date of approval.

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Unlisted Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

### **RESTRICTION OF SHARE TRANSFER**

In accordance with the PRC Company Law, the shares issued prior to any public offering 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 Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED**

For details of circumstances under which our Shareholders’ general meeting is required, please see section headed “Appendix VI — Summary of Articles of Association” to this prospectus.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of US\$56 million (or approximately HK\$437.47 million, calculated based on an exchange rate of US\$1.00 to HK\$7.81197) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$40.50, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 10,801,600 Offer Shares, representing (a) approximately 55.53% of the Offer Shares pursuant to the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) and (b) approximately 6.66% of our total issued share capital immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction by the Sole Overall Coordinator in the Global Offering. The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid H Shares in issue and will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company. The Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, and none of the Cornerstone Investors or any of their affiliates, directors, officers, employees, agents or representatives, has accepted or entered into any agreement or side arrangement to accept any direct or indirect benefits by side letter or otherwise, from our Company, any member of our Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering or otherwise has engaged in any conduct or activity inconsistent with, or in contravention of, Chapter 4.15 of the Guide for New Listing Applicants.

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## CORNERSTONE INVESTORS

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To the best knowledge of our Company, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is directly or indirectly financed by our Company, the Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Investment Agreements would be financed by their own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the cornerstone investment and that no specific approval from any stock exchange is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Where delayed delivery takes place, each Cornerstone Investor has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing.

Save for Tencent Huang River (as defined below), the total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus of our Company, our Company and the Sole Overall Coordinator have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Thursday, June 27, 2024.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

#### Tencent Huang River

Huang River Investment Limited (“**Tencent Huang River**”) is a company incorporated in the British Virgin Islands, and is wholly-owned by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0700, “**Tencent**”). Tencent is a leading provider of Internet value-added services in China, including communications and social networks, games, digital content, advertising, fintech and cloud services.

#### China Southern

China Southern Asset Management Co., Ltd. (南方基金管理有限公司) was established in the PRC on March 6, 1998 approved by the CSRC and was converted into a joint stock limited company under the name of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司) (“**China Southern**”) on January 4, 2018. China Southern is headquartered in Shenzhen.

The shareholders of China Southern include (i) Huatai Securities Co., Ltd. (華泰證券股份有限公司, holding 41.16% in China Southern) (“**Huatai**”), which is listed on the Hong Kong Stock Exchange (Stock Code: 6886.HK), the Shanghai Stock Exchange (Stock Code: 601688.SH) and the London Stock Exchange (Stock Code: HTSC.UK), and (ii) Industrial Securities Co., Ltd. (興業證券股份有限公司, holding 9.15% in China Southern) (“**Industrial Securities**”), which is listed on the Shanghai Stock Exchange (Stock Code: 601377.SH). Approval of the shareholders of each of Huatai and Industrial Securities, the Hong Kong Stock Exchange, the Shanghai Stock Exchange or the London Stock Exchange is not required for the subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

#### CPE FUND

CPE Greater China Enterprises Growth Fund (“**CPE Fund**”) is a exempted company incorporated with limited liability under the laws of the Cayman Islands for an unlimited duration. The investors of CPE Fund includes professional investors including institutions, corporations and high net worth individual investors. CPE Fund is managed by China Pinnacle Equity Management Limited incorporated with limited liability in August 2017 in Hong Kong and is licensed to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under Part V of the SFO with CE number BKY108. It is principally engaged in fund management and the provision of investment advisory services to professional investors as defined under the SFO, including corporations, institutions and high net worth individual investors. China Pinnacle Equity Management Limited holds 100 management shares in CPE Fund and controls the entire voting rights of it.

## CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

*Based on the Offer Price of HK\$40.50*

Cornerstone Investor	Total investment amount	Number of Offer Shares to be acquired <sup>(1)(2)</sup>	Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised		Assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
			Approximate % of the Offer Shares	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of ownership
Tencent Huang River . . . . .	US\$35 million	6,751,000	34.71%	4.16%	26.24%	4.01%
China Southern . .	US\$10.5 million	2,025,300	10.41%	1.25%	7.87%	1.20%
CPE Fund . . . . .	US\$10.5 million	2,025,300	10.41%	1.25%	7.87%	1.20%

*Notes:*

- 1 Exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%.
- 2 Calculated based on an exchange rate of US\$1.00 to HK\$7.81197.
- 3 Subject to rounding down to the nearest whole board lot of 100 H Shares.

### CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (b) the Offer Price having been agreed upon between the Company and the Sole Overall Coordinator (for itself and on behalf of the underwriters of the Global Offering);



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## CORNERSTONE INVESTORS

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- (c) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions;
- (e) the respective representations, warranties, undertakings, acknowledgments and confirmations of our Company under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of our Company; and
- (f) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/nature of interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date	Number of Shares held immediately following the completion of the Global Offering (assuming no Offer Size Adjustment Option or Over-allotment Option is exercised)	Approximate percentage of shareholding in the total share capital of our Company immediately following the completion of the Global Offering (assuming no Offer Size Adjustment Option or Over-allotment Option is exercised) <sup>(2)</sup>
Mr. Xu <sup>(3)&amp;(4)</sup> . . . .	Beneficial owner, Interest held by controlled corporations, Interest held jointly with another person	111,639,800 Unlisted Shares	78.27%	66,055,390 Unlisted Shares  45,584,410 H Shares	68.87%
Mr. Xu Dongbo <sup>(3)&amp;(4)</sup> . . . .	Beneficial owner, Interest held by controlled corporations, Interest held jointly with another person	111,639,800 Unlisted Shares	78.27%	66,055,390 Unlisted Shares  45,584,410 H Shares	68.87%
Hongqiao Jinji <sup>(3)&amp;(4)</sup> . . . .	Beneficial owner, Interest held by controlled corporations	65,386,200 Unlisted Shares	45.84%	38,303,230 Unlisted Shares  27,082,970 H Shares	40.34%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/nature of interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date	Number of Shares held immediately following the completion of the Global Offering (assuming no Offer Size Adjustment Option or Over-allotment Option is exercised)	Approximate percentage of shareholding in the total share capital of our Company immediately following the completion of the Global Offering (assuming no Offer Size Adjustment Option or Over-allotment Option is exercised) <sup>(2)</sup>
Mr. CHEN Guodong (陳國棟) . . . . .	Beneficial owner	15,072,900 Unlisted Shares	10.57%	7,536,450 Unlisted Shares  7,536,450 H Shares	9.30%
Tianjin Jincheng . . . . .	Beneficial owner	9,284,900 Unlisted Shares	6.51%	4,642,450 Unlisted Shares  4,642,450 H Shares	5.73%

*Notes:*

- (1) All interests are long positions.
- (2) The calculation is based on the total number of 73,591,840 Unlisted Shares and 88,501,960 H Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares to may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).
- (3) As of the Latest Practicable Date, Hongqiao Jinji directly held 56,101,300 Shares and was deemed to be interested in 9,284,900 Shares held by Tianjin Jincheng of which Hongqiao Jinji is the general partner, under the SFO. Hongqiao Jinji was held as to 70% by Mr. Xu and 30% by Mr. Xu Dongbo. Mr. Xu, Mr. Xu Dongbo, Hongqiao Jinji and Tianjin Jincheng are regarded as a group of Controlling Shareholders and together were entitled to exercise voting rights attached to the 111,639,800 Shares, representing approximately 78.27% of the total issued share capital of our Company.
- (4) As of the Latest Practicable Date, Mr. Xu directly held 31,934,400 Shares. Mr. Xu Dongbo directly held 14,319,200 Shares. On November 8, 2023, Mr. Xu and Mr. Xu Dongbo entered into a joint-control confirmation. For details, see paragraphs headed “History, Development and Corporate Structure – Joint-Control Confirmation” in this prospectus.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors consists of seven Directors, including four executive Directors and three independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business. The table below sets out certain information of our Directors.

Name	Age	Position(s)	Date of appointment as Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. XU Gaoming (徐高明) . . . . .	59	Executive Director, Chairman of the Board, General Manager and Director of Product Research and Development	December 5, 2016	December 2016	Responsible for overall management, daily operation, Board-related works and the research and development of products	Uncle of Mr. XU Rui Uncle of Mr. JIANG Xia
Mr. FENG Jianjun (馮建軍) . . . . .	55	Executive Director and Vice General Manager	November 20, 2019	January 2017	Responsible for market expansion	None
Mr. XU Rui (徐銳) . . . . .	43	Executive Director and General Manager of the Business Department	November 20, 2019	January 2017	Responsible for overall management of the business department	Nephew of Mr. XU Gaoming Cousin of Mr. JIANG Xia
Mr. JIANG Xia (蔣霞) . . . . .	47	Executive Director, Director of the Quality Inspection Department and Supervisor of Yueyang Laopu	November 9, 2023 (effective upon Listing Date)	February 2018	Responsible for overall management of the quality inspection department	Nephew of Mr. XU Gaoming Cousin of Mr. XU Rui
Mr. SUN Yijun (孫亦軍) . . . . .	55	Independent non-executive Director	October 16, 2023	October 2023	Responsible for providing independent advice and judgment to the Board	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Dr. HE Yurun (何玉潤) . . . . .	49	Independent non-executive Director	October 30, 2023	October 2023	Responsible for providing independent advice and judgment to the Board	None
Mr. SEE Tak Wah (施德華) . . . . .	60	Independent non-executive Director	November 9, 2023 (effective upon Listing Date)	November 2023	Responsible for providing independent advice and judgment to the Board	None

### Executive Directors

**Mr. XU Gaoming (徐高明)** is the founder, executive Director, chairman of the Board, general manager and director of product research and development of our Company. He has been our Director, general manager and the director of R&D department since December 2016, and has served as the chairman of our Board since November 2019, respectively. He was re-designated as an executive Director and appointed as the chairman of the Board of our Company on November 9, 2023. He is primarily responsible for the overall management, daily operation, Board-related works and the research and development of products of our Company.

Mr. Xu founded Golden Treasury in June 2004, a company principally engaged in gold jewelry and ornaments business, and acted as the general manager of Golden Treasury from June 2004 to December 2018 and led its R&D activities from June 2004 to December 2016. He founded Stationery Culture in July 2012, a company principally engaged in stationery culture products, antique products and jewelry business and currently focused on the retail business of furniture, four treasures of study (文房四寶) and calligraphy and painting, and acted as the general manager of Stationery Culture from July 2012 to September 2017 and led its R&D activities from July 2012 to December 2016.

Prior to founding our Group, Mr. Xu joined Yueyang Hongqiao Travel Investment Management Co., Ltd. (岳陽市紅橋旅遊投資管理有限公司) (“**Yueyang Hongqiao**”), a company principally engaged in tourism investment and development, in July 1995, where he acted as the general manager until July 2017. He acted as the general manager of The Aquatic Products Building of Yueyang Livestock and Aquatic Products Bureau (岳陽市畜牧水產局水產大樓) from January 1992 to December 1993. He served as a staff member at Yueyang Livestock and Aquatic Products Bureau (岳陽市畜牧水產局) from August 1984 to December 1991.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Xu graduated with an associate degree in freshwater fisheries specialty from Huazhong Agricultural University (華中農業大學) in the PRC in June 1988 through correspondence education (函授課程).

**Mr. FENG Jianjun (馮建軍)** is an executive Director and vice general manager of our Company. He has been our Director since November 2019 and vice general manager of our Company since January 2017, respectively. Mr. Feng was re-designated as an executive Director on November 9, 2023. He is primarily responsible for market expansion of our Company.

Mr. Feng was responsible for enterprise management related work of Golden Treasury from January 2006 to December 2016. Mr. Feng was also responsible for enterprise management related work of Yueyang Hongqiao from October 1998 to December 2005. He worked at Yueyang Zhongxiang Kangshen Pharmaceutical (岳陽中湘康神藥業集團有限公司), a company principally engaged in pharmaceutical production, in his early years.

Mr. Feng received his bachelor's degree in enterprise management from University of Xiangtan (湘潭大學) in the PRC in June 1989.

**Mr. XU Rui (徐銳)** is an executive Director and general manager of the business department of our Company. He has been our Director since November 2019 and general manager of the business department of our Company since January 2017, respectively. Mr. Xu was re-designated as an executive Director on November 9, 2023. He is primarily responsible for overall management of the business department of our Company.

Mr. Xu was responsible for business operation related work of Golden Treasury from December 2009 to December 2016. Mr. Xu was also responsible for business operation related work of Yueyang Hongqiao from March 2004 to November 2009.

Mr. Xu graduated with an associate degree in international trade from Changsha Electric Power College (長沙電力學院) (currently known as Changsha University of Science and Technology (長沙理工大學)) in the PRC in June 2002.

**Mr. JIANG Xia (蔣霞)** is an executive Director of our Company. He has been the director of the quality inspection department of our Company since February 2018. Further, he has been a supervisor of Yueyang Laopu since March 2018. Mr. Jiang was appointed as an executive Director on November 9, 2023 (effective upon Listing Date). He is primarily responsible for overall management of the quality inspection department of our Company.

Prior to joining our Company, Mr. Jiang was responsible for product management and quality inspection related work of Golden Treasury from August 2005 to February 2018. He was responsible for procurement related work of Yueyang Hongqiao from August 1995 to July 2005.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Jiang graduated with a major in business administration from Wuhan Institute of Chemical Technology (武漢化工學院) (currently known as Wuhan Institute of Technology (武漢工程大學)) through correspondence education (函授課程) in July 2002. He has been a senior standardization management engineer certified by Beijing Adult Education Association Training Center (北京市成人教育學會培訓中心) since March 2021. Mr. Jiang has also been a precious metal jewelry and gemstone inspector certified by the Jewelry Vocational Skills Appraisal and Guidance Center (珠寶首飾職業技能鑒定指導中心) since July 2021 and National Gemstone Testing Center (“NGTC”) Diamond Grader certified by the NGTC since June 2021, respectively.

### Independent Non-executive Directors

**Mr. SUN Yijun (孫亦軍)** was appointed as an independent non-executive Director on October 16, 2023. He is primarily responsible for providing independent advice and judgment to the Board.

Mr. Sun has over 20 years of experience in research, sales and client management in the electronic industry. From January 2003 to August 2004, he worked at Beijing Rosenberger Electronics Co., Ltd. (北京羅森伯格電子有限公司). From September 2004 to October 2010, he worked at Qorvo (Beijing) Co., Ltd. (威訊聯合半導體(北京)有限公司) (formerly known as RFMD (Beijing) Co., Ltd.). Mr. Sun has served as the general manager and a director of Vanchip (Tianjin) Technology Co., Ltd. (唯捷創芯(天津)電子技術股份有限公司) (whose shares are listed on the Shanghai Stock Exchange (stock code: 688153)) since October 2010 and June 2015, respectively.

Mr. Sun received his bachelor’s degree in electronic engineering from University of Electronic Science and Technology of China (電子科技大學) in July 1990. He received his MBA from Tsinghua University in July 1999.

**Dr. HE Yurun (何玉潤)** was appointed as an independent non-executive Director on October 30, 2023. She is primarily responsible for providing independent advice and judgment to the Board.

Dr. He has over 19 years of experience in accounting, internal control and corporate governance. She was selected as one of the “National Accounting Academic Leading Talents” (“全國會計學術領軍人才”) by the Ministry of Finance and completed the project classes in December 2012. Since February 2022, she has successively served as the divisional director of planning and finance department, and the dean of the business school of Beijing Technology and Business University (北京工商大學). She has been a professor and a supervisor of doctoral students of Beijing Technology and Business University since January 2016 and April 2017, respectively. Further, she was awarded as “Beijing Youth Teaching Master in 2019” (“2019年北京市青年教學名師”) in January 2020, “Beijing Great Wall Scholar” (“北京市長城學者”) in December 2018, “Specialist in the supervision of education funding” (“教育經費監管專家”) by



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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the Ministry of Education in July 2021 and she has been a senior member of Chinese Institute of Certified Public Accountants since December 2021. She is currently a member of the 17th Haidian District People's Congress in Beijing.

Since March 2021, Dr. He has been and is currently serving as an independent director of Baolingbao Biology Co., Ltd. (保齡寶生物股份有限公司), a manufacturer of corn-based health and food ingredients whose shares are listed on the Shenzhen Stock Exchange (stock code: 002286).

Dr. He received her bachelor's degree in accounting from Xi'an Shiyou Institute (西安石油學院) (currently known as Xi'an Shiyou University (西安石油大學)) in July 1997. She received her master's degree in enterprise management from Xi'an Shiyou Institute (西安石油學院) in July 2001. She further received her doctor's degree in accounting from Renmin University of China (中國人民大學) in June 2005. Since October 2004, she has been a Certified Public Accountant registered in the PRC. She has published over 30 articles in important domestic journals such as "Management World", "Finance & Trade Economics", "Nankai Management Review", "Accounting Research", and "Tax Research".

**Mr. SEE Tak Wah (施德華)** was appointed as an independent non-executive Director on November 9, 2023 (effective upon Listing Date). He is primarily responsible for providing independent advice and judgment to the Board.

Mr. See has over 33 years of experience in financial and general management. He held the positions of pricing analyst, balance sheet accountant, revenue and cost accountant and treasury planning specialist in IBM New Zealand Limited during the period between November 1987 and May 1990. He worked at Mobil Oil Hong Kong Limited from July 1990 to June 1992 in which he held the positions of MIS Accountant, System/MIS Accountant and Accountant Operations. He later joined Nokia Mobile Phones (H.K.) Ltd. in July 1992, and worked as the regional business controller of Asia Pacific until October 1995. He was then promoted to the managing director cum China & Far East until he left in December 1997. From January 1998 to March 1999, Mr. See was the general manager of the North Asia offices of Philips Consumer Communication Hong Kong Limited. From March 1999 to June 2000, he worked as the general manager of the North Asia offices of Siemens Ltd. Hong Kong. Mr. See currently runs his own boutique management consultancy practice, Excello Partnership Asia Limited.

Mr. See has been and is currently serving as an independent non-executive director of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01201), since January 2017. He has been and is currently serving as an independent non-executive director of Lever Style Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 01346), since October 2019.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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From August 2020 to July 2021, Mr. See served as an independent non-executive director of Enviro Energy International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01102). From January 2010 to September 2019, he served as an independent non-executive director of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01938). From August 2004 to September 2016, he served as an independent non-executive director of Sino ICT Holdings Limited (formerly known as Unisplendour Technology (Holdings) Limited and Sun East Technology (Holdings) Limited, respectively), a company listed on the Main Board of the Stock Exchange (stock code: 0365).

Mr. See graduated from the Waikato University in New Zealand with first class honors in Bachelor of Management Studies in April 1988. He has been a member of the Institute of Chartered Accountants of New Zealand since May 1990, a member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a fellow member of the Hong Kong Institute of Directors since February 2006.

### General

Our Directors have confirmed that:

- (1) save as disclosed in the paragraph headed “Further Information About Our Directors, Supervisors and Substantial Shareholders — 3. Service Contracts” in Appendix VII to this prospectus, none of our Directors has any existing or proposed service contract with our Company other than contracts expiring or determinable by the relevant member of our Company within one year without payment of compensation (other than statutory compensation);
- (2) save as disclosed in the paragraph headed “Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix VII to this prospectus and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;
- (3) save as disclosed in “— Board of Directors” in this section, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and
- (4) save as disclosed in “— Board of Directors” in this section, none of our Directors completed his/her respective education programs by way of attendance of long distance learning or online courses.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors. The following table sets out certain information of our Supervisors.

Name	Age	Position(s)	Date of appointment as Supervisor	Time of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. PENG Liuhua (彭柳華) . . . . .	42	Chairperson of the Supervisory Committee and Employee Representative Supervisor	November 20, 2019	January, 2018	Responsible for presiding over the work of the Supervisory Committee, supervising and providing independent advice to our Board	None
Ms. XIAO Yanhui (肖豔輝) . . . . .	43	Supervisor	November 20, 2019	March 2017	Responsible for supervising and providing independent advice to our Board	None
Mr. SUI Wu (隋武) . . . . .	36	Supervisor	August 16, 2021	January 2017	Responsible for supervising and providing independent advice to our Board	None

**Ms. PENG Liuhua (彭柳華)** has been the employee representative of our Company since November 2019 and chairperson of our Supervisory Committee since September 2021, respectively. She is primarily responsible for presiding the work of the Supervisory Committee, supervising and providing independent advice to our Board.

Ms. Peng joined Golden Treasury in January 2005 and was responsible for administrative management related work of Golden Treasury until December 2011. She then worked at Stationery Culture from January 2012 to January 2018 where she was also responsible for administrative management related work. She served as the administrative director of our Company since January 2018.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Peng graduated from Yueyang Xiangbei Women’s Vocational School (岳陽市湘北女子職業學校) with a major in tourism hotel service in June 1999. She has been a safety evaluator certified by Tianjin Human Resources and Social Security Bureau (天津市人力資源和社會保障局) since June 2019.

**Ms. XIAO Yanhui (肖豔輝)** has been a supervisor of our Company since November 2019. She is primarily responsible for supervising and providing independent advice to our Board.

Ms. Xiao joined Golden Treasury in January 2006, and was responsible for financial audit related work of Golden Treasury until February 2017. She has been serving as the auditing director of our Company since March 2017.

Ms. Xiao graduated with a part-time associate diploma (專科學歷) in business administration from Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in July 2006. She received her bachelor diploma (本科學歷) in business administration from Beijing Normal University (北京師範大學) through online courses in July 2021. She has been a safety evaluator certified by Tianjin Human Resources and Social Security Bureau (天津市人力資源和社會保障局) since June 2019.

**Mr. SUI Wu (隋武)** has been a supervisor of our Company since September 2021. He is primarily responsible for supervising and providing independent advice to our Board.

Prior to joining our Group, Mr. Sui was responsible for financial related work of Golden Treasury from November 2011 to December 2016. He then served as the finance manager of our Company from January 2017 to November 2019. He has been serving as the senior finance manager of our Company since November 2019.

Mr. Sui received his bachelor’s degree in accounting from Hunan Institute of Science and Technology (湖南理工學院) in July 2010.

### General

Save as disclosed in “— Supervisory Committee” in this section, each of our Supervisors has confirmed that:

- (1) he/she does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;
- (2) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and
- (3) saved as disclosed in “— Supervisory Committee” in this section, he/she has not completed his/her education programs as disclosed in this section by way of attendance of long distance learning or online courses.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of business of our Company. The table below sets out certain information of the senior management of our Company.

Name	Age	Position(s)	Date of appointment as senior management	Time of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. XU Gaoming (徐高明) . . . . .	59	General Manager and Director of Product Research and Development	December 5, 2016	December 2016	Responsible for overall management, daily operation and the research and development of products	Uncle of Mr. XU Rui Uncle of Mr. JIANG Xia
Mr. FENG Jianjun (馮建軍) . . . . .	54	Vice General Manager	January 1, 2017	January 2017	Responsible for market expansion	None
Ms. LI Jia (李佳) . . . . .	45	Chief financial officer, vice general manager and secretary to the Board	November 20, 2019	May 2017	Responsible for financial management, investment and financing management and investor relations management functions	None

**Mr. XU Gaoming (徐高明)**, see “— Board of Directors — Executive Directors” in this section for details.

**Mr. FENG Jianjun (馮建軍)**, see “— Board of Directors — Executive Directors” in this section for details.

**Ms. LI Jia (李佳)**, has been our chief financial officer, vice general manager and secretary to the Board since November 2019. Ms. Li joined our Group in May 2017 as the general manager of our financial department until November 2019. She is responsible for financial management, investment and financing management and investor relations management functions of our Group.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Li has extensive experience in financial management. Prior to joining our Group, from July 2003 to June 2004, she worked as a manager of Beijing Gaode Heqin Investment Consulting Co., Ltd. (北京高德和勤投資顧問有限公司). From July 2004 to July 2006, she worked as a manager of Beijing Gaode Yueqin Accounting Firm (北京高德悅勤會計師事務所). From August 2006 to February 2007, Ms. Li worked in Beijing Branch of Deloitte Touche Tohmatsu (德勤華永會計師事務所北京分所). From March 2007 to January 2008, she worked in JFU Consultants (Beijing) Limited (傅子剛 (北京) 諮詢有限公司). From February 2008 to May 2015, Ms. Li worked in Beijing Branch of Deloitte Touche Tohmatsu and her last position is senior manager of the tax and business consultation department. She then worked in the Beijing Branch of Shanghai Deloitte Tax Ltd. (上海德勤稅務師事務所有限公司北京分所) from June 2015 to April 2017 and her last position is director of the tax and business consultation department.

Ms. Li received her bachelor's degree in international economics from University of International Business and Economics (對外經濟貿易大學) in July 2001.

### General

Save as disclosed in “— Senior Management” and “— Board of Directors” in this section, each of our senior management has confirmed that:

- (1) he does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;
- (2) he does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;
- (3) save as disclosed in “— Board of Directors” in this section, he has not completed his education programs as disclosed in this section by way of attendance of long distance learning or online courses.

### JOINT COMPANY SECRETARIES

**Ms. HE Jing** (何靜), was appointed as a joint company secretary of our Company on November 9, 2023.

Ms. He joined our Company in June 2018 and has served as our director of internal control since then. She is responsible for risk management and internal control of our Company.

Prior to joining our Company, Ms. He has extensive experience in board and corporate management matters. From June 2010 to May 2018, she served as a deputy director of risk consulting of Deloitte Huayong Accounting Firm (Special General Partnership) (德勤華永會計師事務所(特殊普通合伙)). Ms. He served as an officer of China United Network

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Communications Group Co., Ltd. (中國聯合網路通信有限公司) from May 2009 to May 2010, a Chinese state-owned telecommunications operator whose shares are listed on the Stock Exchange (stock code: 762), China Netcom (Group) Co., Ltd. (中國網通(集團)有限公司) from January 2007 to April 2009, Settlement and Financial Sharing Service Center of China Netcom (Group) Co., Ltd. (中國網通(集團)有限公司) from October 2004 to December 2006, Beijing Branch Information Value Added Business Center of China United Network Communications Group Co., Ltd. from August 2003 to September 2004, respectively.

Ms. He received her bachelor's degree in accounting from Capital University of Economics and Business (首都經濟貿易大學) in July 2003.

**Ms. LI Ching Yi (李菁怡)**, was appointed as a joint company secretary of our Company on November 9, 2023.

Ms. Li is a senior manager of the Listing Corporate Services Department of Trident Corporate Services (Asia) Ltd., a global professional services firm. She has over 10 years of professional experience in company secretarial field.

She is currently serving as the company secretary of Yadong Group Holdings Limited (stock code: 1795), a joint company secretary of Yidu Tech Inc. (stock code: 2158), Pop Mart International Group Limited (stock code: 9992), Acotec Scientific Holdings Limited (stock code: 6669), 3D Medicines Inc. (stock code: 1244) and Sipai Health Technology Co., Ltd. (stock code: 0314), respectively. All of these companies are listed on the Stock Exchange.

Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).

Ms. Li obtained a bachelor's degree in social sciences in October 2011 from Lingnan University in Hong Kong and a master's degree in professional accounting and corporate governance in July 2015 from City University of Hong Kong.

### COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, Rainbow Capital (HK) Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules and new or amended laws and regulations in Hong Kong applicable to us.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

### BOARD COMMITTEES

In accordance with the relevant PRC laws and regulations and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), our Company has established four committees on the Board of Directors, including the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

#### Audit Committee

The Company has established the Audit Committee (effective from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Dr. HE Yurun, Mr. SEE Tak Wah and Mr. SUN Yijun, with Dr. HE Yurun serving as the chairperson. Dr. He 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:

- proposing the appointment or change of external auditors to the Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **Remuneration and Appraisal Committee**

The Company has established the Remuneration and Appraisal Committee (effective from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The Remuneration and Appraisal Committee consists of three Directors, namely Mr. SEE Tak Wah, Dr. HE Yurun and Mr. Feng Jianjun, with Mr. SEE Tak Wah serving as the chairperson. The primary duties of the Remuneration and Appraisal Committee include, but not limited to, the following:

- advising the Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;
- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to the Board;
- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; and
- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

### **Nomination Committee**

The Company has established the Nomination Committee (effective from the Listing Date) with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. SUN Yijun, Mr. Xu and Dr. HE Yurun, with Mr. SUN Yijun serving as the chairperson. The primary functions of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to the Board suitable candidates for Directors, general managers and other members of the senior management;
- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of the Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of the Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to the Board on any change in Board composition in accordance with our Company's strategies;

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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- researching and developing standards and procedures for the election of the Board members, general managers and members of the senior management, and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.

### **Strategy Committee**

The Company has established the Strategy Committee which consists of three Directors, namely Mr. Xu, Mr. FENG Jianjun and Mr. XU Rui, with Mr. Xu serving as the chairperson. The primary functions of the Strategy Committee include, but not limited to, studying and advising on the long term strategy and operation plans of our Company. The Strategy Committee will assist the Board, in conjunction with our senior management, in addressing the overall mission, vision and strategic direction of our Company. Areas of the Strategy Committee's focus will include:

- providing the Board and senior management, as applicable, with input and recommendations with respect to key strategic initiatives;
- assisting management in establishing a strategic planning process;
- identifying and addressing organizational challenges; and
- evaluating strategic alternatives for the Board and senior management.

### **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 requirements under the Corporate Governance Code after the Listing.

#### **Code Provision A.2.1 of the Corporate Governance Code**

Mr. Xu is our chairman of the Board and general manager of our Company. With extensive experience in the jewelry industry and having served in our Company since its establishment, Mr. Xu is in charge of the overall corporate and business strategies of our Group. Our Board considers that vesting the roles of chairman of the Board and general manager in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board and our senior management, which comprises experienced and visionary individuals. Upon Listing, our Board will comprise four executive Directors (including Mr. Xu) and three independent non-executive Directors, and therefore will have a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all applicable code provisions under the Corporate Governance Code after the Listing.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD DIVERSITY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting. They obtained degrees in various majors including but not limited to business administration, accounting and international trade. Our Board has both male and female representations.

The Board of Directors is of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices.

One out of seven of our Directors will be female upon Listing, and we have been taking and will continue to take steps to maintain that our Board will have at least one female Director after the Listing. Further, we have been taking, and will continue to take steps to promote gender diversity at our Board and management levels. Our board diversity policy provides that our Board should aim to increase the proportion of female members over time after the Global Offering where possible when selecting and making recommendations on suitable candidates for our Board appointments. Our Company places great importance on gender diversity, with 62.4% of our employees being female as of December 31, 2023. Our Company will (i) consider the possibility of appointing female senior management who has the necessary skills and experience; (ii) ensure that gender diversity is promoted in our Group by recruiting staff at middle to senior level; (iii) provide career development and training opportunities to our female staff whom we consider having the suitable experience, skill and knowledge of our operation and business to prepare them with the required attributes and competencies to serve as members of our Board with regards to our strategic needs and the industry in which we operate, such that they will be eligible for managerial and board-level positions in the future; and (iv) identify and select suitable female candidates to become our Board members and such candidates will be reviewed and recommended by our nomination committee to our Board periodically. We are of the view that the above measures will offer greater prospects for securing a pipeline of female candidates to achieve further gender diversity in our Board in the long run.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **COMPENSATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS**

Our Company offers executive Directors, Supervisors and members of our senior management, who are also employees of our Company, emolument in the form of salaries, allowances, discretionary bonus and benefits in kind (if applicable). Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chair of our board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of remuneration paid to our Directors and Supervisors for the three financial years ended December 31, 2021, 2022 and 2023 were approximately RMB9.69 million, RMB8.31 million and RMB12.77 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB13.74 million in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ended December 31, 2024 under arrangements in force at the date of this prospectus.

For the financial years ended December 31, 2021, 2022 and 2023, the aggregate amount of emolument paid to the five highest paid individuals of our Company (excluding our Directors and Supervisors) were approximately RMB5.86 million, RMB5.97 million and RMB10.14 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Group as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company to our Directors, Supervisors or the five highest paid individuals of our Company during the Track Record Period.

For further details, please see Notes 8 and 9 of the Accountants' Report set out in Appendix I and "Statutory and General Information" set out in Appendix VII to this prospectus.

### **DIRECTORS' CONFIRMATION**

Each of our Directors confirms that he/she has obtained legal advice from our legal advisors as to Hong Kong laws on October 25, 2023 and November 2, 2023, respectively as regards the requirements under the Listing Rules that are applicable to him/her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Our Company confirms that each of our independent non-executive Directors has confirmed to us:

- (1) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules;
- (2) he/she does not have any 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; and
- (3) there are no other factors that may affect his/her independence at the time of his/her appointment.

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*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 prospectus, 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 prospectus.*

### OVERVIEW

We are a Chinese heritage gold jewelry brand accredited by the China Gold Association (中國黃金協會)<sup>(1)</sup>, epitomizing China's intangible cultural heritage value and craftsmanship through our comprehensive product portfolio, with a market share in the heritage gold jewelry market and the gold jewelry market in China of 2.0% and 0.6%, respectively, in terms of revenue in 2023, according to Frost & Sullivan. During the Track Record Period, we derived a material portion of revenue from sales of self-designed heritage gold jewelry through our boutiques. We adopt a self-operation model and a scenario-based operation style for all our boutiques. As of the Latest Practicable Date, we self-operated 33 boutiques in reputable commercial centers in 14 cities across China<sup>(2)</sup>, most of which were tier-one and new tier-one cities. We are dedicated to offering products that harmonize cultural and fashionable attributes, showcase assertive style, and demonstrate high quality, ranging from daily wear accessories to ornaments and vessels. We believe that our brand positioning, product theme and style, sales network, and scenario-based boutique style contributed to our success. Among the key brands in China's gold jewelry market, we are the only brand that focuses on the design, manufacture and sale of heritage gold jewelry, according to Frost & Sullivan. Among all gold jewelry brands in China, we ranked first in terms of single-store sales in each of 2022 and 2023, according to Frost & Sullivan. In 2023, we further achieved significant growth. Our average revenue for 2023 per boutique that existed as of December 31, 2023 reached RMB93.9 million, exceeding twice the average revenue for 2022 per boutique that existed as of December 31, 2022.

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(1) Based on The China Gold Yearbook 2020 (中國黃金年鑒2020) published by the China Gold Association, and considering that, among other things, we were the first gold jewelry brand in China to promote the concept of heritage gold, the first in the industry to embed diamond in pure gold, and the first in the industry to introduce pure gold enamel jewelry products, according to Frost & Sullivan.

(2) Including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, Tianjin, Xiamen, Shenyang, as well as Hong Kong and Macau.



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We experienced significant financial growth during the Track Record Period. Our revenue increased from RMB1,264.6 million in 2021 to RMB1,294.2 million in 2022, and further increased to RMB3,179.6 million in 2023, representing a CAGR of 58.6% from 2021 to 2023. Our gross profit experienced a growth from RMB521.0 million in 2021 to RMB542.1 million in 2022, and further to RMB1,332.0 million in 2023. Our gross profit margin reached 41.2%, 41.9% and 41.9% in 2021, 2022 and 2023, respectively.

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### Gold Supply and Pricing

Our ability to source a steady supply of gold is crucial to our business operation. Gold is our primary raw material used in the production of our products, accounting for 94.4%, 93.6% and 92.5% of our raw material costs in 2021, 2022 and 2023, respectively.

We carefully consider several key factors to determine the prices of our products. These factors include the material and production costs, the difficulty of crafting techniques, and the market positioning of our brand. An increase of gold material price will directly increase our cost of sales. If there is a notable increase in the prevailing gold market price, we would adjust the prices of our products based on the current market price to shift the cost to our customers accordingly. As such, fluctuations in the price of the raw materials, especially gold, can have a significant effect on our business, results of operations and financial condition.

According to Frost & Sullivan, the average annual spot price for Au9999 in the PRC experienced a general increase from RMB275.6/g in 2017 to RMB449.9/g in 2023 due to several factors, including the volatility in the global political and economic environment, the strong demand for gold, particularly within the jewelry industry. Especially in 2020, due to the outbreak of COVID-19 pandemic, the international economic environment faced a lot of uncertainty. As a safe-haven asset, gold was welcomed by consumers. Furthermore, the geopolitical conflict and the rising inflation have pushed up the demand for gold to hedge risks and the average annual price hit RMB449.9/g in 2023. The continuous rise in the gold price will motivate consumers' investment enthusiasm, promoting the demand for gold jewelry products.

We are susceptible to the fluctuation in gold prices, as we do not have any hedging instruments to manage such fluctuation. As for the procurement of gold, we formulate annual procurement plans based on our business planning, inventory levels and market demand, and adjust our plans on a monthly basis according to the actual situations. We typically enter into framework procurement agreements, or agreements for a term of one year, with our major gold suppliers. The agreements are typically renewable upon mutual agreements. We place orders with our gold suppliers based on our procurement plans and the agreed-upon purchase price in line with the latest market price, and settle with them by prepayment or payment upon delivery

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of goods under a credit term according to the payment terms negotiated between our suppliers and us. We have stable relationships with our major gold suppliers. Therefore, although fluctuation in material costs, especially gold prices, is indeed one of the factors that affect the pricing of our products, we believe that such fluctuation is manageable, as we frequently adjust our procurement plan of raw materials based on the actual market and production demand. We primarily base our gold purchases on production plans and will also consider gold price and our available funds to adjust our procurement plan. Specifically, our supply chain department adjusts our procurement plans on a monthly basis after considering the historical sales turnover and anticipated sales trend provided by our sales department. Upon issuing procurement orders each month, our supply chain department would then follow up on the progress of the procurement, utilization of raw materials in production, and stock level of raw materials. We conduct multiple gold purchases in batches every month, and the timing of these purchases is primarily determined by product order volumes and corresponding production requirements, as well as gold price and our available funds. If we anticipate that the price of gold will rise in the future, and if we have sufficient funds available, we may consider increasing our purchase of gold raw materials in one or several batches appropriately. As such, even without any hedging instruments to manage fluctuation in gold price, we are able to reduce the risk of overstocking of gold materials and mitigate the impact of the cost fluctuation on our business operation and financial performance. Each piece of our gold jewelry products is subject to a fixed price upon launch and such price generally will not be simply adjusted along with the fluctuation of our material and production costs. For more details, see “Business — Procurement and Production — Procurement” in this prospectus.

The following table demonstrates the sensitivity to a reasonably possible change in the gold price, with all other variables held constant, of our profit before tax during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Gold price increase/ decrease by:</b>			
+20%/-20% . . . . .	(130,059)/130,059	(129,596)/129,596	(318,119)/318,119
+15%/-15% . . . . .	(97,544)/97,544	(97,198)/97,198	(238,589)/238,589
+10%/-10% . . . . .	(65,029)/65,029	(64,798)/64,798	(159,059)/159,059
+5%/-5% . . . . .	(32,515)/32,515	(32,399)/32,399	(79,530)/79,530

Our inventories are stated at the lower of cost and net realizable value. During the Track Record Period, the vast majority of our inventories consisted of gold inventories, and therefore the fluctuations in our inventories was mainly influenced by changes in the purchase price of gold and the quantity of gold inventories we held. As the price of gold rises, we will not adjust the carrying amount of our inventories to reflect the higher market prices of gold. However, since we primarily base our gold purchases on production plans, gold price and our available funds, an increase in sales volume and production requirements, coupled with rising gold

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prices, will result in an increase in the carry amount of our inventories. This could lead to a heightened need for funds and potentially tie up our working capital position. For details, see “— Discussion of Selected Items from Consolidated Statements of Financial Position — Inventories” and “— Cash Flows” in this section.

### **Economic Conditions of the PRC**

During the Track Record Period, we derived substantially all of our revenue from sales in the PRC. Our business is particularly sensitive to the economic developments and the purchasing power of consumers in the PRC. Economic growth in the PRC over the past three decades has led to substantial growth in personal disposable income and has resulted in increasing purchasing power and greater demand for discretionary consumer products, according to Frost & Sullivan.

According to Frost & Sullivan, the PRC’s economy has boomed over the past decades, and the disposable income per capita and people’s living standards are increasing accordingly. Chinese residents’ annual disposable income per capita has steadily risen from RMB28.2 thousand to RMB39.2 thousand over the past five years from 2018 to 2023, with a CAGR of 6.8%. For the same period, according to Frost & Sullivan, the consumption of gold experienced an overall decrease from 1,151.4 tons in 2018 to 1,089.7 tons in 2023, mainly as the offline sales channels were significantly affected by the COVID-19 pandemic. However, with the increase in per capita annual disposable income which is expected to reach approximately RMB53.1 thousand by 2028 at a CAGR of 6.3% from 2023 to 2028 and the recovery of the macro-economy in the PRC, the consumption of gold is expected to grow at a CAGR of 7.1% from 2023 to 2028, according to Frost & Sullivan. According to the same source, the gold jewelry market grew from RMB308.0 billion in 2018 to RMB518.0 billion in 2023 in terms of sales revenue, representing a CAGR of 11.0%, during which the outbreak and recurrence of the pandemic restrained the growth rate in 2020 and 2022 due to the lockdown and disease control measures hindering the offline sales. Going forward, with the consumption upgrade and the rising younger consumer group, the gold jewelry market is expected to continue to grow and reach RMB811.0 billion in 2028 with a CAGR of 9.4% from 2023 to 2028.

During the Track Record Period, our revenue increased by 2.3% to RMB1,294.2 million in 2022, and further significantly increased by 145.7% to RMB3,179.6 million in 2023. As shown, the change of our revenue during the Track Record Period was associated with the economic conditions and the gold jewelry market trends in the PRC, and notably, the growth performance was stronger than the overall gold jewelry market.

We expect that the continuing economic growth in the PRC will translate into an increase in consumer spending and demand for gold jewelry. Accordingly, we expect the economic conditions and the level of consumer spending in the PRC to continue to have a significant impact on our business, financial conditions and results of operations.

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### **Consumer Demand and Competition**

Our results of operations are affected by consumer demand for our products, which is in turn affected by macroeconomic factors such as general economic conditions, consumer purchasing power and consumer preferences. In addition, our results of operations also depend on our ability to compete with other gold jewelry brands. Our revenue and profitability will be affected by our ability to identify market trends, respond to customer requirements and design, produce and bring to market, in a timely manner, products that reflect the current preferences of a broad range of current and prospective customers. Our results of operations also depend on the recognition and reputation of our brand in the competitive market. We believe that the “老鋪黃金” (LAOPU GOLD) brand has become the top heritage gold jewelry brand in China, and the further development of the brand will significantly impact our ability to attract our target customers, grow our revenue, maintain or further improve our profitability, and further expand our business.

According to the Frost & Sullivan, gold jewelry is gaining popularity among the younger generation in China nowadays. Chinese consumers are pursuing more diversified gold jewelry products in different consumption scenarios. With the upgrading of consumption and the increasing demand for high-quality, diversified and personalized gold jewelry products from consumers, the heritage gold jewelry market is expected to grow rapidly, reaching RMB421.4 billion by 2028 at a CAGR of 21.8% from 2023 to 2028. Meanwhile, the competition in the gold jewelry market, especially the heritage gold jewelry market, is increasingly fierce. Our ability to meet consumers' demands, capture this growth and stand out in this competitive market, which depends on the popularity of our brand and products and our marketing and sales efforts, will affect our sales, revenue and profitability.

### **Growth of Same-Store Sales and Expansion of Our Boutiques and Online Sales Network**

During the Track Record Period, our revenue was primarily derived from the sales of gold jewelry products through our direct-to-consumer channels under the integrated offline and online jewelry retail structure, which combines both offline boutiques and online sales channels.

Sales from our boutiques represented the majority of our revenue during the Track Record Period, accounting for 89.8%, 87.0% and 88.6% of our total revenue in 2021, 2022 and 2023, respectively, and we expect our network of boutiques to continue to be our main sales channel. We expanded from 19 boutiques as of January 1, 2021 to 33 boutiques as of the Latest Practicable Date, and we expect to continue this expansion in the foreseeable future. Our revenue will be affected by the rate at which we open new boutiques, our ability to continue to secure prime retail locations at commercially reasonable prices, and our ability to hire qualified sales personnel to staff our boutiques. The expansion of our network of boutiques will also increase our costs as we will incur higher expenses associated with rent and personnel. Our results of operations will depend on the time it takes for our new boutiques to generate sufficient revenues to offset our start-up and operating costs. We expect to finance the near-term expansion of our network of boutiques with the proceeds from the Global Offering and our cash flows from operations.

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Our results of operations are also affected by our same-store sales growth, which we define as the annual sales growth rate of a boutique that were open for more than 300 days in both of the two years under comparison. Our same-store sales growth rate was (17.6)% and 115.4% from 2021 to 2022 and from 2022 to 2023, respectively. For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1.1 billion in 2021 to RMB911.9 million in 2022, which was primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic. For 2022 and 2023, we had 21 same stores, whose sales increased significantly by 115.4% from RMB1.0 billion to RMB2.2 billion, which was mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iii) our increased brand awareness; (iv) the iteration of our product series; and (v) the increase in gold price, which (a) boosted consumers' willingness to purchase gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan, and (b) led to a corresponding increase in the prices of our products.

In addition to sales from our boutiques, our results of operations are also affected by our online sales. The revenue generated from our online platforms amounted to RMB129.2 million, RMB167.9 million and RMB361.1 million in 2021, 2022 and 2023, respectively, which accounted for 10.2%, 13.0% and 11.4% of our total revenue for the same years, respectively. The year-on-year growth rate of the revenue generated from our online platforms reached 29.9% and 115.0% from 2021 to 2022 and from 2022 to 2023, respectively. As part of integrated offline and online jewelry retail structure, our online sales channels complement our boutiques to provide customers with more channels to interact with us and shop for our products. We intend to further integrate and expand our online and offline sales channels, and our ability to successfully do so will affect our revenue and profitability.

### **Maintaining a Strong Brand Image that Appeals to Consumers**

We derive substantially all of our revenue from gold jewelry products, and we believe that the brand image of a jewelry company is an important factor affecting consumers' selection. As a brand in heritage gold jewelry industry, we strive to develop products that elegantly combine traditional Chinese classical standards with modern aesthetics. Our unique brand identity embodies three core values: “classic (經典),” “meticulous (極致)” and “timeless (傳世).” These core values are our driving forces and are embedded throughout our business operations, including product design and development, production, sales, and customer relationships management. We believe our products are not just collections of jewelry, but also a captivating journey into the heart of traditional craftsmanship with ultimate modern elegance, which are appealing to our target customers.

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According to the Frost & Sullivan, high brand awareness is the assurance of consumers' confidence in product quality and related services, especially for the gold jewelry brands. Strong brand images, resulting from long-term investment and being a high entry barrier, usually represent recognition from consumers, and will in turn bring more customers. A significant part of our success has been and will continue to be dependent on our ability to maintain our brand image and at the same time continue to design and produce a wide range of quality gold jewelry products that meet continually changing consumer preferences.

### **Sales Seasonality**

We experience seasonal fluctuations in demand for our products. The peak seasons include the Mid-Autumn Festival and the PRC National Day holiday, the period from Christmas till Chinese New Year, and the period from Chinese New Year till Valentine's Day. Besides, the third-party platforms where we sell our products also have many shopping festivals that affect market demand, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節) during the Track Record Period. Therefore, we typically record higher sales in the first and fourth quarters of a calendar year. As a result, comparisons of our sales and operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate according to seasonality. For more details, see "Risk Factors — Risks Relating to Our Business and Industry — Our sales may be affected by seasonality" and "Business — Product Sales — Sale Seasonality" in this prospectus.

### **BASIS OF PREPARATION**

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 our Group in the preparation of the historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information.

The historical financial information has been prepared under the historical cost convention.

### **MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL JUDGMENTS AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial

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information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our Group's financial information. Our material accounting policy information, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.

### **Material Accounting Policy Information**

#### ***Revenue Recognition***

##### *Revenue From Contracts With Customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our 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 our 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of Goods

Our Group operates a chain of self-operated boutiques and online platform selling jewelry products. Revenue from the sales of goods is recognized at the point in time when product is transferred to the customer who takes delivery in store or sent to the address specified by the consumers.

(b) Maintenance and Repair Services

Revenue from maintenance and repair services is recognized at a point in time when the service is provided to the customer.

#### ***Other Income***

Interest income is recognized, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.



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### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis, and in the case of work-in-progress and finished goods, comprises direct materials, direct labor, and an appropriate proportion of overheads. Net realizable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### *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 our Group's cash management.

### *Property, plant and equipment and depreciation*

Property, plant and equipment 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 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 capitalized 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, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

### **Significant Accounting Judgements and Estimates**

The preparation of our historical financial information requires our 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.

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### *Judgements*

In the process of applying our Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the historical financial information.

#### *Identification of a Customer and Gross Versus Net Revenue Recognition*

Our Group enter into several concession agreements with certain shopping malls, under which shopping malls invoice end customers and pay our Group sales proceeds from the end customers less concession fees and other fees. The shopping malls act as an agent of our Group rather than the principal in the transaction since the shopping malls do not control the jewelry products before those goods 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 our Group act as a principal. Revenue is recognized 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 distribution expenses".

#### *Significant Judgment in Determining the Lease Term of Contracts With Renewal Options*

Our Group has several lease contracts that include extension options. Our Group applies judgment in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, our Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew the lease (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

#### *Recognition of Income Taxes and Deferred Tax Assets*

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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### *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*

Our Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on our Group's historical observed default rates. Our 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 analyzed.

There was no significant change in the ECL rates for the time band during the Track Record Period, mainly as 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.

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. Our 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 our Group's accounts receivable is disclosed in Note 17 to the Accountants' Report in Appendix I to this prospectus.

### *Provision for Expected Credit Losses on Other Financial Assets*

The measurement of expected losses on other financial assets requires judgment including, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, our Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. Our Group considers reasonable and supportable information that is relevant and available without undue

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cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. The carrying amounts of other financial assets at amortized cost are given in Note 34 to the Accountants' Report in Appendix I to this prospectus.

### *Net Realizable Value of Inventories*

Net realizable 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. Our Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories is given in Note 16 to the Accountants' Report in Appendix I to this prospectus.

### *Impairment of Long Term Non-Financial Assets (Other Than Goodwill)*

Our Group assesses whether there are any indicators of impairment for long term non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Accrual of Restoration Obligation*

Our Group as the lessee bears the obligation to restore the leased assets to the state agreed upon in the lease terms in accordance with the lease contract. Our group estimates the estimated liabilities formed by fulfilling restoration obligations based on industry conditions and historical experience. At the end of the reporting period, our Group reviews the value of the estimated liabilities and makes appropriate adjustments to reflect the current best estimate.

### *Share-Based Payment*

Our 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. Our group has estimated the expected future cash flows of our Group to evaluate the fair value of the equity instruments on the grant date, and also estimated the number of exercisable equity instruments.

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### *Deferred Tax Assets*

Deferred tax assets are recognized for unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 24 to the Accountants' Report in Appendix I to this prospectus.

### *Leases — Estimating the Incremental Borrowing Rate*

Our Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that our Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what our Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). Our Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

## RESULT OF OPERATIONS

The following table sets forth selected consolidated statement of profit or loss and other comprehensive income for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b> . . . . .	1,264,603	1,294,220	3,179,564
Cost of sales . . . . .	(743,602)	(752,082)	(1,847,607)
<b>Gross Profit</b> . . . . .	521,001	542,138	1,331,957
Other income and gains . . . . .	5,566	4,277	2,650
Selling and distribution expenses . . . . .	(262,435)	(297,177)	(579,347)
Administrative expenses . . . . .	(89,121)	(94,117)	(167,571)
Research and development expenses . . . . .	(8,411)	(8,525)	(10,720)
Other expenses, net . . . . .	(720)	(2,853)	(5,318)
Finance costs . . . . .	(11,671)	(16,973)	(18,182)
<b>Profit Before Tax</b> . . . . .	154,209	126,770	553,469
Income tax expense . . . . .	(40,329)	(32,241)	(137,167)
<b>Profit for the Year</b> . . . . .	<b>113,880</b>	<b>94,529</b>	<b>416,302</b>
<b>Attributable to:</b>			
<b>Owners of the Company</b> . . . . .	<b>113,880</b>	<b>94,529</b>	<b>416,302</b>

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### DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, we generated revenue primarily from the sales of pure gold jewelry products and gem-set jewelry products in mainland China. Our revenue amounted to RMB1,264.6 million, RMB1,294.2 million and RMB3,179.6 million in 2021, 2022 and 2023, respectively.

#### *Revenue Breakdown by Types of Goods or Services*

All of our gold jewelry products are made of pure gold. Depending on whether they are inlaid with diamonds or other gemstones, we categorize our gold jewelry products into pure gold jewelry and gem-set jewelry. The following table sets forth a breakdown of our revenue by types of goods or services, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry <sup>(1)</sup> . . . . .	655,375	51.8	661,002	51.1	1,394,282	43.9
Gem-set jewelry . . . . .	603,061	47.7	629,528	48.6	1,780,658	56.0
Others <sup>(2)</sup> . . . . .	6,167	0.5	3,690	0.3	4,624	0.1
<b>Total</b> . . . . .	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Pure gold jewelry includes gold bar products we launched in November 2022 in order to meet the market demands. Our revenue from gold bars was approximately RMB8.1 million and RMB109.5 million, representing approximately 0.6% and 3.4% of our total revenue in 2022 and 2023, respectively.
- (2) Others mainly include revenues generated from (i) the sales of non-gold jewelry products primarily made of gemstones; and (ii) the provision of maintenance and repair services for jewelry products sold by us, as our after-sales services.

During the Track Record Period, we primarily derived our revenue from sales of goods, including pure gold jewelry products and gem-set jewelry products, representing approximately 99.5%, 99.7%, and 99.9% of our total revenue in 2021, 2022 and 2023, respectively.

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The following table sets forth the sales volume in terms of gram and average selling price of our major product types for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>	Sales Volume <sup>(1)</sup>	Average Selling Price <sup>(2)</sup>
	(g'000)	(RMB/g)	(g'000)	(RMB/g)	(g'000)	(RMB/g)
Pure gold jewelry . . . . .	1,161	650	1,133	676	2,199	729
Gem-set jewelry . . . . .	840	835	807	914	1,982	1,043

*Notes:*

- (1) Sales volume refers to the total weight of gold used in the jewelry products sold.
- (2) Average selling price equals actual prices we charged the customers (including taxes and other charges payable by consumers, and net of discounts if any) for the relevant products during a year divided by the sales volume of such products during the same year. As we recorded our revenue after deducting taxes and other charges payable by consumers, the product of sales volume and average selling price in the table is greater than the revenue we recorded for the relevant years.

*Sales of Pure Gold Jewelry Products*

Pure gold jewelry products refer to jewelry made of high-purity gold, designs of which range from accessories for daily wear such as pendants, bangles, rings, and ear studs, to jewelry with greater gram weight, such as ornaments and vessels. We set a fixed price for each pure gold jewelry product, taking various factors, including the gold price, the gram weights of gold material used and the intricacy and complexity of the products' design and craftsmanship, into consideration.

Sales of pure gold jewelry products were our main source of revenue during the Track Record Period. Our revenue from sales of pure gold products were RMB655.4 million, RMB661.0 million and RMB1,394.3 million, representing 51.8%, 51.1% and 43.9% of our total revenue in 2021, 2022 and 2023, respectively. The fluctuation of our sales of pure gold jewelry products during the Track Record Period was mainly associated with the fluctuation of gold price and sales volume, primarily driven by (i) macroeconomic environment and consumers' willingness to pay; (ii) the number of our boutiques; (iii) the launch of new products; and (iv) our brand recognition, during the Track Record Period.



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The sales volume of our pure gold jewelry slightly decreased from 1,161 kg in 2021 to 1,133 kg in 2022, primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. The sales volume of our pure gold jewelry products significantly increased from 1,133 kg in 2022 to 2,199 kg in 2023, mainly due to:

- (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022. Specifically, for the 28 boutiques that had opened in 2022, 19 boutiques experienced temporary closure for a period ranging from three days to 75 days under the COVID-19 pandemic. The recovery of economic activities in 2023 directly resulted in significant increase in sales volume of our pure gold jewelry in existing boutiques in 2023, as evidenced by the increase in same-store sales of 115.4% from 2022 to 2023;
- (ii) the expansion of our boutique network. We opened nine new boutiques in the second half of 2022 and in 2023, which further contributed to the increase in the sales volume of our pure gold jewelry;
- (iii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept and our increased brand awareness. We believe that the increasing popularity of our pure gold jewelry among consumers is more attributable to our years of dedication to product and service quality and the product iteration and development. This has brought us a large number of spontaneous word-of-mouth referrals by our satisfied customers and contributed to significant increase in the sales volume of our pure gold jewelry in 2023;
- (iv) the iteration of our pure gold jewelry product series, mainly including pure gold decorative ornaments, pendants and bracelets. In 2023, we updated and iterated, and newly launched a total of 155 pure gold jewelry products. This served as an important reason for our products being able to adapt to evolving consumer preference, and in turn contributed to increase in the sales volume of our pure gold jewelry in 2023; and
- (v) the increase in gold price, which boosted consumers' willingness to purchase gold products and in turn increased the demand for our pure gold jewelry products, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan.

The average selling price of our pure gold jewelry products was RMB650/g, RMB676/g and RMB729/g in 2021, 2022 and 2023, respectively. The average selling price of our pure gold jewelry products increased during the Track Record Period, primarily as the price of gold, which is a key factor we take into consideration to determine the price of our pure gold jewelry products, generally increased during the Track Record Period.

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### *Sales of Gem-Set Jewelry Products*

Our gem-set jewelry products refer to jewelry with diamonds or other gemstones inlaid in high-purity gold. We set a fixed price for each gem-set jewelry product, taking various factors, including the price of the raw materials used, the gram weights of gold material used and the intricacy and complexity of the products' design and craftsmanship, into consideration.

Our revenue from sales of gem-set jewelry products were RMB603.1 million, RMB629.5 million and RMB1,780.7 million, representing 47.7%, 48.6% and 56.0% of our total revenue in 2021, 2022 and 2023, respectively. The increase of our sales of gem-set jewelry products during the Track Record Period was mainly associated with the fluctuation of the price of raw materials including gold, diamonds and other gemstones, as well as the sales volume primarily driven by (i) macroeconomic environment and consumers' willingness to pay; (ii) the number of our boutiques; (iii) the launch of new products; and (iv) our brand recognition. The percentage of the sales of gem-set jewelry products of our total revenue increased during the Track Record Period, mainly as we launched new series of gem-set jewelry products embedded with innovative craftsmanship and novel designs in late 2019. As a result, the sales of our gem-set jewelry products began to explode from the second half of 2020 onward, with a greater increase in sales in 2021 as we continuously introduced new styles of products to meet the changing trends and consumer needs.

The sales volume of our gem-set jewelry products slightly decreased from 840 kg in 2021 to 807 kg in 2022, primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. The sales volume of our gem-set jewelry products significantly increased from 807 kg in 2022 to 1,982 kg in 2023, mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) the expansion of our boutique network; (iii) consumers' preference for high-quality gem-set heritage gold jewelry products with the upgrading of consumption concept; (iv) our increased brand awareness; (v) the iteration of our gem-set jewelry product series, mainly including gem-set pendants, rings and bracelets; and (vi) the increase in gold price, which boosted consumers' willingness to purchase gold products, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan.

The average selling price of our gem-set jewelry products was RMB835/g, RMB914/g and RMB1,043/g in 2021, 2022 and 2023, respectively. The average selling price of our gem-set jewelry products increased during the Track Record Period, primarily as the price of gold and gemstones, which is a key factor we take into consideration to determine the price of our gem-set jewelry products, generally increased during the Track Record Period.

### *Others*

Others mainly include revenues generated from (i) the sales of non-gold jewelry products primarily made of gemstones; and (ii) the provision of maintenance and repair services for jewelry products sold by us, as our after-sales services.

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Our revenue from sales of other materials products were RMB6.2 million, RMB3.7 million and RMB4.6 million, representing 0.5%, 0.3% and 0.1% of our total revenue in 2021, 2022 and 2023, respectively.

### *Revenue Breakdown by Sales Channels and Geographical Markets*

The following table sets forth a breakdown of our revenue by sales channels and geographical markets, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Boutiques</b> . . . . .	<b>1,135,357</b>	<b>89.8</b>	<b>1,126,308</b>	<b>87.0</b>	<b>2,818,483</b>	<b>88.6</b>
Mainland China <sup>(1)</sup> . . . . .	1,121,886	88.7	1,103,639	85.3	2,663,421	83.7
Tier-one cities . . . . .	619,931	49.0	553,085	42.7	1,481,208	46.6
New tier-one cities . . . . .	355,733	28.1	371,242	28.7	813,869	25.6
Other cities . . . . .	146,222	11.6	179,312	13.9	368,344	11.5
Hong Kong and Macau . . . . .	13,471	1.1	22,669	1.7	155,062	4.9
<b>Online platforms<sup>(2)</sup></b> . . . . .	<b>129,246</b>	<b>10.2</b>	<b>167,912</b>	<b>13.0</b>	<b>361,081</b>	<b>11.4</b>
<b>Total</b> . . . . .	<b><u>1,264,603</u></b>	<b><u>100.0</u></b>	<b><u>1,294,220</u></b>	<b><u>100.0</u></b>	<b><u>3,179,564</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Tier-one cities where our boutiques are located include Beijing, Shanghai, Guangzhou, and Shenzhen. New tier-one cities where our boutiques are located include Nanjing, Xi'an, Hangzhou, Chengdu, Wuhan, and Tianjin. Other cities where our boutiques are located include Shenyang, Xiamen, Nanning, and Fuzhou.
- (2) Consisting of sales through third-party e-commerce platforms including Tmall and JD.com, as well as WeChat Mini Program that we developed to streamline our customer experience and increase our online sales.

We derived a material portion of our revenue from sales through our offline boutiques, which amounted to RMB1,135.4 million, RMB1,126.3 million and RMB2,818.5 million, representing 89.8%, 87.0% and 88.6% in 2021, 2022 and 2023, respectively. Tier-one cities and new tier-one cities were the major regions in which we generated revenue, primarily as we focus on high-net-worth customer group and strategically established a sales network layout, with most of our boutiques locating in luxury districts of tier-one cities and new tier-one cities across China to better cover the targeted customer group. For more details of our network of boutiques, see “Business — Product Sales — Our Boutiques” in this prospectus.

We also generated a portion of revenue from online platforms, including our flagship stores on Tmall and JD.com as well as our WeChat Mini Program, which amounted to RMB129.2 million, RMB167.9 million and RMB361.1 million, representing 10.2%, 13.0% and 11.4% in 2021, 2022 and 2023, respectively. For more details, see “Business — Product Sales — Our Online Sales Channels” in this prospectus.

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### Cost of Sales

Our cost of sales primarily consisted of costs of material costs, self-production costs mainly including direct labor costs and factory overhead costs, outsourcing processing fees, and packaging and others. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of total cost of sales, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Material costs . . . . .	688,703	92.6	692,103	92.0	1,719,976	93.1
Self-production costs . . . . .	29,336	4.0	36,841	4.9	63,064	3.4
Outsourcing processing fees . . . . .	17,150	2.3	15,177	2.0	42,081	2.3
Packaging and others . . . . .	8,413	1.1	7,961	1.1	22,486	1.2
<b>Total . . . . .</b>	<b><u>743,602</u></b>	<b><u>100.0</u></b>	<b><u>752,082</u></b>	<b><u>100.0</u></b>	<b><u>1,847,607</u></b>	<b><u>100.0</u></b>

Our cost of sales were RMB743.6 million, RMB752.1 million and RMB1,847.6 million in 2021, 2022 and 2023, respectively. Our cost of sales increased along with our sales volume and price of materials, mainly as material costs accounted for a substantial majority of our cost of sales.

### Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB521.0 million, RMB542.1 million and RMB1,332.0 million in 2021, 2022 and 2023, respectively, while our gross profit margin reached 41.2%, 41.9% and 41.9% during the same years.

### Breakdown by Types of Goods or Services

The following table sets forth a breakdown of our gross profit and gross profit margin by types of goods or services for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry . . . . .	248,628	37.9	251,220	38.0	514,516	36.9
Gem-set jewelry . . . . .	269,265	44.6	289,100	45.9	815,596	45.8
Others . . . . .	3,108	50.4	1,818	49.3	1,845	39.9
<b>Total . . . . .</b>	<b><u>521,001</u></b>	<b><u>41.2</u></b>	<b><u>542,138</u></b>	<b><u>41.9</u></b>	<b><u>1,331,957</u></b>	<b><u>41.9</u></b>

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### *Pure Gold Jewelry*

During the Track Record Period, our gross profit for pure gold jewelry products amounted to RMB248.6 million, RMB251.2 million and RMB514.5 million in 2021, 2022 and 2023, respectively. The increase in gross profit for pure gold jewelry products during the Track Record Period was generally in line with the increase in revenue generated from the sales of pure gold jewelry products during the same years.

The gross profit margin for our pure gold jewelry products remained relatively stable at 37.9% and 38.0% in 2021 and 2022, respectively. The gross profit margin for our pure gold jewelry products decreased from 38.0% in 2022 to 36.9% in 2023, primarily because (i) we launched gold bar products by the end of 2022, which feature relatively simple craftsmanship and therefore have lower gross profit margin; (ii) this was partially offset by the increase in cost of sales, which was mainly due to the impact of increase in the purchase cost of gold.

### *Gem-Set Jewelry*

During the Track Record Period, our gross profit for gem-set jewelry products amounted to RMB269.3 million, RMB289.1 million and RMB815.6 million in 2021, 2022 and 2023, respectively. The increase in gross profit for gem-set jewelry products during the Track Record Period was generally in line with the increase in revenue generated from the sales of gem-set jewelry products during the same years.

The gross profit margin for our gem-set jewelry products increased from 44.6% in 2021 to 45.9% in 2022, primarily because (i) we launched new gem-set jewelry product series, mainly including gem-set pendants and rings, bangles and decorative ornaments, featuring innovative craftsmanship and novel design with relatively higher gross profit margin in 2022; (ii) this was partially offset by the increase in cost of sales, which was mainly due to the impact of increase in the purchase cost of gold and gemstones. The gross profit margin for our gem-set jewelry products remained relatively stable at 45.9% and 45.8% in 2022 and 2023, respectively. The gross profit margin level of our gem-set jewelry products was relatively higher than the gross profit margin of our pure gold jewelry, mainly as (i) the design and craftsmanship of our gem-set jewelry products is generally more intricate and complex; and (ii) gem-set jewelry products, especially diamond-set jewelry products, generally have higher pricing space and profit margins since they are usually fixed-price products with high brand premiums, which is in line with the market, according to Frost & Sullivan.

### *Others*

During the Track Record Period, our gross profit for other products and services amounted to RMB3.1 million, RMB1.8 million and RMB1.8 million in 2021, 2022 and 2023, respectively. Our gross profit margin for other products and services was 50.4%, 49.3% and 39.9% for the same years, respectively. The fluctuation in the gross profit and gross profit margin for others was mainly due to the change of the nature and mix of our other products and services in the corresponding years.

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### *Breakdown by Sales Channels*

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Boutiques . . . . .	471,271	41.5	474,776	42.2	1,185,253	42.1
Online platforms . . . . .	49,730	38.5	67,362	40.1	146,704	40.6
<b>Total . . . . .</b>	<b><u>521,001</u></b>	<b><u>41.2</u></b>	<b><u>542,138</u></b>	<b><u>41.9</u></b>	<b><u>1,331,957</u></b>	<b><u>41.9</u></b>

During the Track Record Period, our gross profit for boutiques amounted to RMB471.3 million, RMB474.8 million and RMB1,185.3 million in 2021, 2022 and 2023, respectively. Our gross profit margin for boutiques was 41.5%, 42.2% and 42.1% for the same years, respectively.

During the Track Record Period, our gross profit for online platforms amounted to RMB49.7 million, RMB67.4 million and RMB146.7 million in 2021, 2022 and 2023, respectively. Our gross profit margin for online platforms was 38.5%, 40.1% and 40.6% for the same years, respectively.

Our gross profit margin for online platforms was generally slightly lower than that of offline boutiques during the Track Record Period, primarily because the majority of our online sales were generated when online platforms hosted promotional events, such as the Double 11 Shopping Festival (雙十一購物節) and the Double 12 Shopping Festival (雙十二購物節), and we recorded revenue for our product sales during such periods net of the relevant promotion expenses shared by us.

## FINANCIAL INFORMATION

### Other Income and Gains

Our other income and gains primarily consisted of interest income, government grants, foreign exchange differences, gains on disposal of items of property, plant and equipment and other assets and others. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other income</b>			
Interest income . . . . .	123	168	350
Government grants* . . . . .	4,543	3,047	1,016
Others . . . . .	329	202	254
<b>Gains</b>			
Foreign exchange differences . . . . .	30	73	560
Gain on disposal of items of property, plant and equipment and other assets .	126	371	126
Others . . . . .	415	416	344
<b>Total</b> . . . . .	<b>5,566</b>	<b>4,277</b>	<b>2,650</b>

*Note:*

\* Government grants have been received from local government authorities as subsidies to our Group, which mainly represented the subsidies related to our operating activities and the previous listing attempts. In 2021, the government grants we received mainly included (i) subsidies for proposed listing of RMB2.2 million, and (ii) incentive funds for key enterprises of Dongcheng district of Beijing of RMB2.2 million. In 2022, the government grants we received mainly included (i) industrial support funds of Dongcheng district of Beijing of RMB2.1 million, and (ii) a rental subsidy in relation to our Yueyang Factory of RMB0.7 million. In 2023, the government grants we received mainly included two batches of rental subsidies in relation to our Yueyang Factory of RMB0.8 million and RMB0.3 million, respectively, and other subsidies in relation to social insurance, stable employment and training.

Our government grants during the Track Record Period included a rental subsidy relating to the lease of our Yueyang Factory premised on a ten-year lease and paid to us in batches on a yearly basis over the lease term, which has been recorded as deferred income. For more details, see “— Discussion of Selected Items From Consolidated Statements of Financial Position — Deferred Income” in this section. During the Track Record Period, except for the length of the abovementioned lease, there were no unfulfilled conditions or contingencies relating to these grants. Government grants are subject to the government’s discretion and the receipt of such government grants is thus unpredictable.



## FINANCIAL INFORMATION

### Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of staff costs, shopping mall and platform commission fees, rental expenses, depreciation and amortization, advertising and promotion expenses, renovation expenses, transportation and miscellaneous expenses, share-based payments and others. For more details of the nature and arrangement of shopping mall and platform commissions fees and rental expenses, see “Business — Product Sales — Our Boutiques — Arrangements With Shopping Malls” in this prospectus. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs . . . . .	95,245	112,014	172,491
Shopping mall and platform commission fees . . . . .	62,061	60,912	162,957
Rental expenses . . . . .	33,458	29,482	106,644
Depreciation and amortization . . . . .	49,968	68,826	84,879
Advertising and promotion expenses . . .	10,340	15,075	18,838
Renovation expenses . . . . .	2,087	1,622	6,432
Transportation and miscellaneous expenses . . . . .	2,207	2,082	3,972
Share-based payments . . . . .	288	628	3,203
Others . . . . .	6,781	6,536	19,931
<b>Total . . . . .</b>	<b>262,435</b>	<b>297,177</b>	<b>579,347</b>

In 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB262.4 million, RMB297.2 million and RMB579.3 million, respectively. Our selling and distribution expenses generally increased during the Track Record Period, mainly due to (i) an increase in staff costs as a result of the expansion of our sales team and an increase in the remuneration of our sales staff, which was in line with our business growth. In 2021, 2022 and 2023, the average number of our sales staff as of the end of each month was 277, 332 and 376, respectively, and the average monthly remuneration (including wages, bonuses, allowances, subsidies, social insurance and housing provident fund contributions) for our sales staff was RMB28.7 thousand, RMB28.1 thousand and RMB38.2 thousand, respectively; (ii) an increase in shopping mall and platform commission fees and rental expenses, which was in line with the increase in revenue from both boutique and online sales and depreciation and amortization primarily as a result of the expansion of our boutique network; and (iii) an increase in advertising and promotion expenses as a result of placing more advertisement in shopping malls and on e-commerce platforms.

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily consisted of staff costs, professional service fees, depreciation and amortization, bank charges, share-based payments, rental expenses and others. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs . . . . .	52,854	57,498	82,144
Professional service fees . . . . .	10,010	9,587	32,919
Depreciation and amortization . . . . .	8,661	10,769	12,613
Bank charges . . . . .	5,966	5,865	15,203
Share-based payments . . . . .	3,852	1,080	5,128
Rental expenses . . . . .	736	1,865	1,990
Others* . . . . .	7,042	7,453	17,574
<b>Total</b> . . . . .	<b>89,121</b>	<b>94,117</b>	<b>167,571</b>

*Note:*

\* Others mainly included travel expenses, information technology costs, other taxes, transportation and miscellaneous charges, renovation expenses and others.

In 2021, 2022 and 2023, our administrative expenses amounted to RMB89.1 million, RMB94.1 million and RMB167.6 million, respectively. Our administrative expenses generally increased during the Track Record Period, mainly due to (i) an increase in staff costs as a result of the increasing number of our administrative employees and an increase in the remuneration of our administrative staff, which was in line with our business growth. In 2021, 2022 and 2023, the average number of our administrative staff as of the end of each month was 141, 166 and 183, respectively, and the average monthly remuneration (including wages, bonuses, allowances, subsidies, social insurance and housing provident fund contributions) for our administrative staff was RMB31.2 thousand, RMB28.9 thousand and RMB37.4 thousand, respectively; (ii) an increase in professional service fees primarily for legal and accounting professional services incurred as a result of our previous listing attempts in the corresponding years; (iii) an increase in others which mainly included travel expenses, information technology costs, other taxes, transportation and miscellaneous charges, renovation expenses and others; and (iv) an increase in bank charges relating to bank card settlements with customers due to the rising sales revenue.

## FINANCIAL INFORMATION

### Research and Development Expenses

Our research and development expenses primarily consisted of staff costs, share-based payments, depreciation and amortization and others. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs . . . . .	8,239	8,174	10,235
Share-based payments . . . . .	117	145	302
Depreciation and amortization . . . . .	14	21	33
Others . . . . .	41	185	150
<b>Total . . . . .</b>	<b>8,411</b>	<b>8,525</b>	<b>10,720</b>

In 2021, 2022 and 2023, our research and development expenses amounted to RMB8.4 million, RMB8.5 million and RMB10.7 million, respectively. Our research and development expenses generally increased during the Track Record Period, mainly due to an increase in staff costs as a result of the increasing number of our research and development employees and an increase in their remuneration, which was in line with our business growth.

### Other Expenses, Net

Our other expenses (net) primarily consisted of credit impairment losses, asset impairment losses, non-operating expenses and losses on disposal of assets. In 2021, 2022 and 2023, our other expenses (net) amounted to RMB0.7 million, RMB2.9 million and RMB5.3 million, respectively.

### Finance Costs

Our finance costs primarily consisted of interest on bank loans, interest on lease liabilities and others. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings . . . . .	7,596	7,737	7,661
Interest on lease liabilities . . . . .	3,993	9,148	10,415
Others . . . . .	82	88	106
<b>Total . . . . .</b>	<b>11,671</b>	<b>16,973</b>	<b>18,182</b>

## FINANCIAL INFORMATION

In 2021, 2022 and 2023, our finance costs amounted to RMB11.7 million, RMB17.0 million and RMB18.2 million, respectively. The increase in our finance costs were mainly in relation to the amounts of our interest-bearing borrowings and lease liabilities.

### **Income Tax Expense**

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

#### *PRC Corporate Income Tax*

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the “CIT Law”), our Company and subsidiaries which operate in mainland China were subject to CIT Law at a rate of 25% on the taxable income during each of the Track Record Period.

#### *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 the subsidiary of our Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$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 Track Record Period.

#### *Macau Complementary Tax*

Macau complementary tax was calculated at the excess progressive rate of 3% to 12% on the estimated assessable profit during each of the Track Record Period.

In 2021, 2022 and 2023, our income tax expenses amounted to approximately RMB40.3 million, RMB32.2 million and RMB137.2 million, respectively. The following table sets forth details of our income tax expenses for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current .....	41,698	33,601	140,471
Deferred .....	(1,369)	(1,360)	(3,304)
<b>Total</b> .....	<b>40,329</b>	<b>32,241</b>	<b>137,167</b>

Our effective tax rates were 26.2%, 25.4% and 24.8% in 2021, 2022 and 2023, respectively, which were generally in line with the statutory tax rate of 25.0%.

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During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had fulfilled all our tax obligations and had no disputes or unresolved tax issues with relevant tax authorities.

### REVIEW OF HISTORICAL RESULTS OF OPERATIONS

#### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

##### *Revenue*

Our revenue significantly increased by RMB1,885.4 million or 145.7%, from RMB1,294.2 million in 2022 to RMB3,179.6 million in 2023. Such increase was mainly due to the following factors:

- (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022. Specifically, for the 28 boutiques that had opened in 2022, 19 boutiques experienced temporary closure for a period ranging from three days to 75 days under the COVID-19 pandemic. Particularly, many of our boutiques located in Shanghai, Beijing, Xi'an and Shenyang were temporarily closed during the pandemic. Our revenue derived from the aforementioned cities increased by approximately RMB924.1 million from 2022 to 2023;
- (ii) the outstanding sales performance of our new boutiques in Shenyang, Chengdu, Beijing, Macau, Guangzhou and Nanjing, which were opened in July 2022, December 2022, January 2023, June 2023, September 2023 and October 2023, respectively. The revenue contributed by the aforementioned new boutiques amounted to approximately RMB296.1 million in 2023. Such outstanding sales performance was mainly a result of (a) our enhanced brand image and product attractiveness, and (b) the relatively prime locations of our boutiques in the relevant shopping malls to reach more high net-worth customers. Most of our newly opened boutiques are located on the first or second floor of high-end shopping malls, being the best store location in shopping malls, as such location is usually a gathering place for luxury brands, which can attract more high net-worth individuals and produce better product display and publicity effects with higher purchase conversion rate, according to Frost & Sullivan. Particularly, in view of the fact that we already had Shenyang MixC B1 Boutique since May 2019, we opened Shenyang MixC 2F Boutique in July 2022 and recorded outstanding sales performance from it in 2023, primarily as, in addition to the general factors applicable to our overall revenue growth for the corresponding years, (a) there is sufficient market demand for our products in Shenyang, (b) such boutique is located at the second floor of Shenyang MixC, one of the best store locations in the only high-end shopping mall in Shenyang, which can attract greater customer traffic, especially our target high net-worth individuals, and (c) the operation of our two boutiques on different floors in Shenyang MixC can create synergistic effect and foster greater customer interest and traffic, among others. Based on our historical successful experience of operating

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two boutiques on B1 and 1F of Beijing SKP which co-exist and produce synergistic benefits, we believe that, for our two boutiques in Shenyang MixC, the existing Shenyang MixC B1 Boutique has already accumulated reputation in the business circle, and will continue to play its advantages of convenient location with direct access to the subway underground passage and attract more passing potential customers, making us better positioned to leverage operation experience, established brand awareness, and existing relationship with MixC to accelerate growth; while the new Shenyang MixC 2F Boutique is able to attract more high net-worth individuals and new customers due to its better and more eye-catching location. The synergistic operation of our two boutiques in Shenyang MixC enables more comprehensive product displays and provides better services for customers, so as to meet the growing needs of customers and the market. According to Frost & Sullivan, it is not uncommon for industry peers to have more than one boutiques on different floors in the same shopping mall;

- (iii) consumers' preference for high-quality heritage gold jewelry products with the upgrading of consumption concept;
- (iv) our increased brand awareness in 2023, we opened more pop-up stores to market our brand and products, and continued to enhance our brand awareness through conventional marketing activities. See "Business — Marketing and Promotion" in this prospectus for details. However, we believe that the increasing popularity of our products among consumers is more attributable to our years of dedication to product and service quality. This has brought us a large number of spontaneous word-of-mouth referrals by our satisfied customers and contributed to significant increase in the sales volume of our products in 2023;
- (v) the iteration of our product series, mainly including gem-set pendants and rings, and pure gold decorative ornaments, among others. The revenue contributed by the newly launched or iterated gem-set pendants and rings and pure gold decorative ornaments amounted to approximately RMB237.2 million and RMB64.3 million in 2023, respectively; and
- (vi) the increase in gold price, which (a) boosted consumers' willingness to purchase gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, according to Frost & Sullivan, and (b) led to a corresponding increase in the prices of our products. In 2023, we increased the prices of our products four times on March 10, March 20, May 11 and November 15, respectively. As a result, from 2022 to 2023, the average selling price of our pure gold jewelry and gem-set jewelry increased by 7.8% and 14.1%, respectively.

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Our revenue growth rate from 2022 to 2023 was higher than industry peers, primarily as (a) compared with our industry peers that opened retail stores in a number far exceeding ours and with a wider coverage of both top-tier cities and lower-tier cities, we operated fewer boutiques, most of which were located in tier-one and new tier-one cities. Our concentration in a few tier-one and new tier-one cities resulted in our business being more affected by the COVID-19 pandemic in 2022 and experienced greater re-bounce in 2023. According to Frost & Sullivan, from 2022 to 2023, the growth rate of heritage gold jewelry market size in tier-one and new tier-one cities was approximately 63.8%, whereas the growth rate of that in other-tier cities (second and lower-tier cities) from 2022 to 2023 was approximately 60.4%, as consumers in tier-one and new tier-one cities have stronger purchasing power and experienced a faster consumption recovery after the pandemic; and (b) in addition to the macroeconomic factors that were generally applicable to industry peers, our significant revenue growth was also attributable to company-specific factors, including the outstanding sales performance of our new boutiques, consumers' preference of high-quality heritage gold jewelry products, and our increased brand awareness, among other things, as disclosed above. As a result, in 2023, we opened five new boutiques in tier-one cities, new tier-one cities and Macau, all of which had achieved initial breakeven and cash investment payback. We also continued product iteration and launching in 2023 to meet market preference. In 2023, we updated and iterated 139 products, and launched 119 brand new products.

### ***Cost of Sales***

Our cost of sales increased by RMB1,095.5 million or 145.7%, from RMB752.1 million in 2022 to RMB1,847.6 million in 2023, which was generally in line with the increase in revenue in 2023.

### ***Gross Profit and Gross Profit Margin***

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB789.9 million or 145.7%, from RMB542.1 million in 2022 to RMB1,332.0 million in 2023. Such increase was primarily due to the recovery of economic activities from the pandemic in the PRC, the continuous enrichment of our product portfolio and styles as well as the expansion of our offline boutiques in 2023.

Our gross profit margin generally remained stable at 41.9% in 2022 and 2023, respectively.

### ***Other Income and Gains***

Our other income and gains decreased by RMB1.6 million or 38.0%, from RMB4.3 million in 2022 to RMB2.7 million in 2023, mainly due to a decrease in government grants.



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### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by RMB282.1 million or 95.0%, from RMB297.2 million in 2022 to RMB579.3 million in 2023, mainly due to (i) an increase in shopping mall and platform commission fees, rental expenses, which was in line with the increase in revenue from both boutique and online sales and depreciation and amortization primarily as a result of the expansion of our boutique network; (ii) an increase in staff costs as a result of the expansion of our sales team and an increase in their remuneration, which was in line with our business growth; and (iii) an increase in advertising and promotion expenses as a result of placing more advertisement in shopping malls in 2023.

### *Administrative Expenses*

Our administrative expenses increased by RMB73.5 million or 78.0%, from RMB94.1 million in 2022 to RMB167.6 million in 2023, mainly due to (i) an increase in staff costs in 2023 as a result of the increased number of our administrative staff and an increase in their remuneration, which was in line with our business growth; (ii) an increase in professional service fees primarily for legal and accounting professional services incurred as a result of our previous listing attempts and the Listing; (iii) an increase in others which mainly included travel expenses, information technology costs, other taxes, transportation and miscellaneous charges, renovation expenses and others; and (iv) an increase in bank charges relating to bank card settlements with customers due to the rising sales revenue.

### *Research and Development Expenses*

Our research and development expenses increased by RMB2.2 million or 25.7%, from RMB8.5 million in 2022 to RMB10.7 million in 2023, mainly due to an increase in staff costs in 2023 as a result of the increased number of our research and development staff and an increase in their remuneration, which was in line with our business growth.

### *Other Expenses, Net*

Our other expenses (net) increased by RMB2.4 million or 86.4%, from RMB2.9 million in 2022 to RMB5.3 million in 2023, mainly due to an increase in impairment of trade receivables and prepayments, deposits and other assets in 2023; partially offset by a decrease in non-operating expenses in 2023.

### *Finance Costs*

Our finance costs increased by RMB1.2 million or 7.1%, from RMB17.0 million in 2022 to RMB18.2 million in 2023, mainly due to an increase in interest on lease liabilities in 2023.

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### *Income Tax Expense*

Our income tax expense increased by RMB105.0 million or 325.4%, from RMB32.2 million in 2022 to RMB137.2 million in 2023, which was generally in line with the change in our profit before tax.

Our effective tax rates were 25.4% and 24.8% in 2022 and 2023, respectively, which remained relatively stable for the corresponding years.

### *Profit and Net Profit Margin for the Year*

As a result of the foregoing, our profit for the year increased by RMB321.8 million or 340.4%, from RMB94.5 million in 2022 to RMB416.3 million in 2023.

Our net profit margin increased from 7.3% in 2022 to 13.1% in 2023, mainly as our revenue increased significantly and outpaced the increases in our selling and distribution expenses and administrative expenses. In 2023, the fastest-growing items among our selling and distribution expenses include shopping mall and platform commission fees and rental expenses, which increased by RMB102.0 million and RMB77.2 million, respectively. Such increases were generally in line with our revenue growth as the rent or concession fees we paid to most of the shopping malls were increased as a result of the sales growth of our boutiques. Other than these two items, other components of our selling and distribution expenses and our administrative expenses were not recognized in a way proportionately relating to revenue (despite of the fact that each of them was affected by our expansion of boutique network and increase in product sales to a certain extent). Specifically, in selling and distribution expenses, staff costs increased from 2022 to 2023 at a lower rate as compared with revenue growth for the same year. Although sales staff typically receive commissions/incentives based on their sales performance as part of their remunerations, costs of sales staff are not tied to product sales in a linear way, primarily because (i) base salary for sales personnel accounted for approximately half of their remunerations, which was in fixed amounts and was not tied to our products sales; and (ii) other portions of the remunerations for sales personnel include commissions based on their performance, i.e., they receive additional bonuses for personal sales exceeding a certain standard. This is a common incentive for sales personnel in the industry and does not lead to a proportional increase in staff costs relative to our product sales. Depreciation and amortization costs also increased from 2022 to 2023 at a lower rate. Such increase was related to the rental of newly opened boutiques, but was not proportionately related to our increased product sales. Advertising and promotion expenses increased from 2022 to 2023 at a lower rate as well, reflecting that our brand positioning and recognition were enhanced through spontaneous word-of-mouth referral by satisfied customers in addition to our efforts of displaying product advertisements. Moreover, in administrative expenses, staff costs increased from 2022 to 2023 at a lower rate as compared with revenue growth for the same year, primarily because a majority of the remunerations of administrative staff were in fixed amounts which were not tied to our product sales. Depreciation and amortization costs also increased from 2022 to 2023 at a lower rate primarily due to the decoration of newly expanded office space, which were also not related to revenue growth. As a result, although selling and distribution expenses and administrative expenses also increased significantly in 2023, such increases were not proportionately related to the significant increase in our revenue. As such, we recorded higher net profit margin in 2023.

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### **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

#### ***Revenue***

Our revenue increased by RMB29.6 million or 2.3%, from RMB1,264.6 million in 2021 to RMB1,294.2 million in 2022. Such increase was primarily attributable to (i) the increase in the number of our boutiques from 22 as of December 31, 2021 to 27 as of December 31, 2022; (ii) the increase in gold price, which led to a corresponding increase in the prices of our products; (iii) the launch of new product series, especially our gem-set jewelry products featuring innovative craftsmanship and novel design; and (iv) our increased brand awareness; partially offset by the negative effect of the pandemic on our offline sales in 2022.

#### ***Cost of Sales***

Our cost of sales increased by RMB8.5 million or 1.1%, from RMB743.6 million in 2021 to RMB752.1 million in 2022, which was generally in line with the change in revenue in 2022.

#### ***Gross Profit and Gross Profit Margin***

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB21.1 million or 4.1%, from RMB521.0 million in 2021 to RMB542.1 million in 2022. Such increase was primarily due to the continuous enrichment of our product portfolio and styles as well as the expansion of our offline boutiques in 2022, partially offset by the negative impact of the pandemic in 2022.

The gross profit margin generally remained stable at 41.2% in 2021 and 41.9% in 2022.

#### ***Other Income and Gains***

Our other income and gains decreased by RMB1.3 million or 23.2%, from RMB5.6 million in 2021 to RMB4.3 million in 2022, mainly due to a decrease in government grants as we no longer received subsidies in relation to the previous listing attempts in 2022.

#### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by RMB34.8 million or 13.2%, from RMB262.4 million in 2021 to RMB297.2 million in 2022, mainly due to (i) an increase in depreciation and amortization; (ii) an increase in staff costs as a result of the expansion of our sales team and an increase in their remuneration, which was in line with our business growth; and (iii) an increase in advertising and promotion expenses as a result of placing more advertisement in shopping malls and on e-commerce platforms in 2022.

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### *Administrative Expenses*

Our administrative expenses increased by RMB5.0 million or 5.6%, from RMB89.1 million in 2021 to RMB94.1 million in 2022, mainly due to (i) an increase in staff costs as a result of the increased number of our administrative staff in 2022; (ii) an increase in depreciation and amortization; and (iii) an increase in rental expenses primarily for our offices; partially offset by a decrease in share-based payments for our administrative staff.

### *Research and Development Expenses*

Our research and development expenses generally remained stable at RMB8.4 million and RMB8.5 million in 2021 and 2022, respectively.

### *Other Expenses, Net*

Our other expenses (net) increased by RMB2.2 million or 296.3%, from RMB0.7 million in 2021 to RMB2.9 million in 2022, mainly due to an increase in assets impairment and loss on disposal of property, plant and equipment and other assets as a result of the closure of one offline boutique in 2022.

### *Finance Costs*

Our finance costs increased by RMB5.3 million or 45.4%, from RMB11.7 million in 2021 to RMB17.0 million in 2022, mainly due to an increase in our lease liabilities as we expanded our boutique network.

### *Income Tax Expense*

Our income tax expense decreased by RMB8.1 million or 20.1%, from RMB40.3 million in 2021 to RMB32.2 million in 2022, mainly due to the decrease in our profit affected by the pandemic in 2022.

Our effective tax rate remained relatively stable at 26.2% and 25.4% in 2021 and 2022, respectively.

### *Profit and Net Profit Margin for the Year*

As a result of the foregoing, our profit for the year decreased by RMB19.4 million or 17.0%, from RMB113.9 million in 2021 to RMB94.5 million in 2022.

Our net profit margin slightly decreased from 9.0% in 2021 to 7.3% in 2022, mainly as our revenue increased by 2.3% in 2022 while our selling and distribution expenses increased by 13.2% for the corresponding year.

## FINANCIAL INFORMATION

### DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus:

	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 assets</b>				
Inventories . . . . .	770,343	806,836	1,267,932	1,612,866
Trade receivables . . . . .	104,432	100,266	376,325	566,727
Prepayments, deposits and other assets . . . . .	22,915	37,598	61,741	65,280
Cash and cash equivalents . . .	25,190	60,282	69,838	200,633
<b>Total current assets . . . . .</b>	<b><u>922,880</u></b>	<b><u>1,004,982</u></b>	<b><u>1,775,836</u></b>	<b><u>2,445,506</u></b>
<b>Current liabilities</b>				
Trade payables . . . . .	7,089	5,105	57,662	97,493
Other payables and accruals . .	67,862	63,798	140,090	192,593
Interest-bearing bank and other borrowings . . . . .	136,601	136,231	127,754	103,787
Contract liabilities . . . . .	5,630	8,819	27,766	207,363
Lease liabilities . . . . .	45,824	71,512	101,394	120,160
Tax payable . . . . .	4,261	5,916	19,478	41,923
<b>Total current liabilities . . . .</b>	<b><u>267,267</u></b>	<b><u>291,381</u></b>	<b><u>474,144</u></b>	<b><u>763,319</u></b>
<b>Net current assets . . . . .</b>	<b><u>655,613</u></b>	<b><u>713,601</u></b>	<b><u>1,301,692</u></b>	<b><u>1,682,187</u></b>

Our non-current assets included property, plant and equipment, right-of-use assets, other intangible assets, deferred tax assets, prepayments, deposits and other assets. Our current assets included inventories, trade receivables, prepayments, deposits and other assets, restricted bank deposits, and cash and cash equivalents.

Our current liabilities included trade payables, other payables and accruals, interest-bearing bank and other borrowings, contract liabilities, lease liabilities and tax payable.

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Our net current assets increased from RMB655.6 million as of December 31, 2021 to RMB713.6 million as of December 31, 2022, primarily due to (i) an increase in inventories of RMB36.5 million, (ii) an increase in cash and cash equivalents of RMB35.1 million, and (iii) an increase in prepayments, deposits and other assets of RMB14.7 million; partially offset by (i) a decrease in trade receivables of RMB4.2 million, and (ii) an increase in lease liabilities of RMB25.7 million.

Our net current assets further increased from RMB713.6 million as of December 31, 2022 to RMB1,301.7 million as of December 31, 2023, primarily due to (i) an increase in inventories of RMB461.1 million, and (ii) an increase in trade receivables of RMB276.1 million; partially offset by (i) an increase in other payables and accruals of RMB76.3 million, (ii) an increase in trade payables of RMB52.6 million, and (iii) an increase in lease liabilities of RMB29.9 million.

### Property, Plant and Equipment

Our property, plant and equipment primarily consisted of leasehold improvements, furniture, fixtures and equipment, devices and equipment, motor vehicles, as well as plant and machinery. The following table sets forth the breakdown of our property, plant and equipment 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 improvements . . . . .	29,381	32,021	31,428
Furniture, fixtures and equipment . . . . .	11,806	14,144	17,239
Devices and equipment . . . . .	1,266	1,650	1,742
Motor vehicles. . . . .	125	403	1,695
Plant and machinery . . . . .	4,903	4,456	5,445
<b>Total . . . . .</b>	<b>47,481</b>	<b>52,674</b>	<b>57,549</b>

Our property, plant and equipment increased from RMB47.5 million as of December 31, 2021 to RMB52.7 million as of December 31, 2022, and further to RMB57.5 million as of December 31, 2023, primarily due to (i) an increase in leasehold improvements and furniture, fixtures and equipment, mainly as we expanded our offline sales network and developed new boutiques during the Track Record Period; and (ii) an increase in plant and machinery in 2023, primarily as we increased the production and capacity of our Yueyang Factory due to the growing demand for our products.

## FINANCIAL INFORMATION

### Right-of-Use Assets

Our right-of-use assets primarily consisted of our lease of office premises and 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>
Office premises and buildings . . . . .	38,903	32,925	26,158
Stores . . . . .	134,359	162,801	226,061
<b>Total . . . . .</b>	<b>173,262</b>	<b>195,726</b>	<b>252,219</b>

Our right-of-use assets increased from RMB173.3 million as of December 31, 2021 to RMB195.7 million as of December 31, 2022, and further to RMB252.2 million as of December 31, 2023, mainly as we leased more premises, buildings and stores for our expanded business and offline boutique network.

### Other Intangible Assets

Our other intangible assets primarily consisted of trademark, software, and others. The following table sets forth the breakdown of our other intangible 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>
Trademark . . . . .	669	631	734
Software . . . . .	1,692	1,988	1,603
Others . . . . .	314	446	540
<b>Total . . . . .</b>	<b>2,675</b>	<b>3,065</b>	<b>2,877</b>

Our other intangible assets increased from RMB2.7 million as of December 31, 2021 to RMB3.1 million as of December 31, 2022, mainly due to the update of our purchased office software and design of our official website. Our other intangible assets slightly decreased from RMB3.1 million as of December 31, 2022 to RMB2.9 million as of December 31, 2023, mainly due to the amortization.



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### Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Our deferred tax assets were primarily in relation to impairment provision of financial assets, impairment provision of inventories, lease liabilities, amortization of intangible assets, accrued expenses, government grants and internal transactions. Our deferred tax assets increased from RMB7.9 million as of December 31, 2021 to RMB9.2 million as of December 31, 2022, mainly due to an increase in our unrealized profit balance from internal transactions incurred from the daily operation of our Group, which were generally in line with our business expansion. Our deferred tax assets further increased to RMB12.5 million as of December 31, 2023, primarily due to an increase in impairment provision of financial assets and lease, which was generally in line with our business expansion.

### Prepayments, Deposits and Other Assets

Our prepayments, deposits and other assets primarily consisted of prepayments, deposits, other receivables, tax recoverable and other assets. The following table sets forth the breakdown of our prepayments, deposits and other 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>
<b>Current</b>			
Prepayments . . . . .	6,352	26,888	35,341
Deposits . . . . .	12,216	8,488	17,634
Other receivables . . . . .	495	424	551
Tax recoverable . . . . .	4,415	2,179	9,298
Impairment . . . . .	(563)	(381)	(1,083)
	<b>22,915</b>	<b>37,598</b>	<b>61,741</b>
<b>Non-current</b>			
Deposits . . . . .	9,365	20,799	31,699
Other assets . . . . .	5,902	5,791	27,414
Impairment . . . . .	(469)	(1,059)	(1,585)
	<b>14,798</b>	<b>25,531</b>	<b>57,528</b>

Our current prepayments, deposits and other assets primarily represented (i) prepayments mainly in relation to the rent paid in advance to shopping malls, purchase of raw materials, advertising and activity expenses, and capitalized portion of listing expenses; (ii) deposits for short-term leases due within one year in relation to boutiques, office, staff dormitory and utilities; (iii) other receivables such as employee reserve, network service fee, software usage fee, advertising fee and renovation fee; and (iv) tax recoverable incurred primarily as a result of the timing difference between the procurement of raw materials and sales.

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Our current prepayments, deposits and other assets increased from RMB22.9 million as of December 31, 2021 to RMB37.6 million as of December 31, 2022, mainly due to an increase in prepayments for purchase of gold in late 2022 to support our growing business. Our current prepayments, deposits and other assets further increased from RMB37.6 million as of December 31, 2022 to RMB61.7 million as of December 31, 2023, mainly as due to (i) an increase in deposits due within one year reclassified from the non-current deposits and relating to our new lease of stores; (ii) an increase in prepayments in relation to the rent paid in advance to shopping malls and purchase of raw materials; and (iii) an increase in tax recoverable primarily as we made bulk procurement of raw materials in the fourth quarter of 2023 considering our future expansion of gem-set jewelry product line and the recent market price trends, resulting in a large amount of input tax pending deduction.

Our non-current prepayments, deposits and other assets primarily represented (i) deposits for long-term leases due after one year in relation to boutiques, office, staff dormitory and utilities; and (ii) other assets mainly including prepayments for acquisition of long-term assets, and display and production molds charged to long-term amortized expenses.

Our non-current prepayments, deposits and other assets increased from RMB14.8 million as of December 31, 2021 to RMB25.5 million as of December 31, 2022, and further to RMB57.5 million as of December 31, 2023, mainly due to an increase in rental deposits which were in line with the increasing number of our leased boutiques.

As of the Latest Practicable Date, RMB67.9 million, accounting for approximately 53.8% of the gross carrying amounts of our prepayments, deposits and other assets as of December 31, 2023, was subsequently settled. The percentage of subsequent settlement of our prepayments, deposits and other assets is relatively low, mainly as 40.5% of the gross carrying amount of our prepayments, deposits and other assets as of December 31, 2023 was deposits for leases due within one or more years in relation to boutiques, office, staff dormitory and utilities, which would generally not be subsequently settled in a short term.

### Inventories

Our inventories primarily consisted of finished goods, raw materials, work in progress and goods in transit. The following table sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods . . . . .	560,671	644,843	791,294
Raw materials . . . . .	122,389	109,984	292,001
Work in progress . . . . .	86,935	50,300	182,236
Goods in transit . . . . .	348	1,709	2,401
<b>Total . . . . .</b>	<b>770,343</b>	<b>806,836</b>	<b>1,267,932</b>

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The following table sets forth breakdown of our raw materials inventories as of the end of each year comprising the Track Record Period:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Raw materials</b> . . . . .	122,389	109,984	292,001
Gold . . . . .	86,818	68,892	212,510
Diamond . . . . .	21,307	27,530	60,569
Other gemstones . . . . .	13,267	12,531	17,426
Other raw materials . . . . .	997	1,031	1,496

Our inventories are stated at the lower of cost and net realizable value. During the Track Record Period, the vast majority of our inventories consisted of gold inventories, and therefore the fluctuations in our inventories was mainly influenced by changes in the purchase price of gold and the quantity of gold inventories we held. Our inventories increased from RMB770.3 million as of December 31, 2021 to RMB806.8 million as of December 31, 2022, primarily attributable to an increase in gold finished goods, which was attributable to an increase in the quantity of approximately 7.9% and an increase in the carrying amount per gram of 6.1%, which was mainly influenced by the purchase price of raw material; partially offset by a decrease in raw materials and work in progress, mainly as our purchasing and production plans was affected by the pandemic in 2022, resulting in a decrease in the quantity of gold inventories we held.

Our inventories further increased from RMB806.8 million as of December 31, 2022 to RMB1,267.9 million as of December 31, 2023. Such increase was primarily attributable to an increase in gold inventories, including gold raw materials, finished goods and work in progress, which was attributable to an increase in the quantity of approximately 34.5%, generally in line with the expansion of our business and an increase in the carrying amount per gram of 16.8%, which was mainly influenced by the purchase price of raw material.

Our inventory level was relatively high during the Track Record Period, accounting for 83.5%, 80.3% and 71.4% of our total current assets as of December 31, 2021, 2022 and 2023, respectively, mainly as (i) we need to maintain sufficient inventories of finished goods and raw materials to meet the growing demands for sales and production and to decorate our boutiques' scenery settings; (ii) our cash and cash equivalents are mainly utilized to purchase raw materials, operate our boutiques, or expand our boutique network to support our growing business, as we are still at a fast-growing stage; and (iii) our trade receivables level is relatively low, as in most cases, we settle the receivables with our customers on an immediate basis and no trade receivables with credit term arrangements are involved, and our trade receivables primarily represented receivables from shopping malls with a credit period of up to 60 days. According to Frost & Sullivan, it is not uncommon for gold jewelry companies to have a relatively high inventory to current assets ratio.

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## FINANCIAL INFORMATION

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As of December 31, 2021, 2022 and 2023, our inventories with a carrying amount of RMB25.0 million, RMB30.6 million and RMB30.0 million were pledged as security for our bank loans, respectively. For more details, see Note 23 to the Accountants' Report in Appendix I to this prospectus.

The following table sets forth a summary of our inventories turnover days for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
Inventories turnover days* . . . . .	<u>357</u>	<u>383</u>	<u>205</u>

*Note:*

\* Inventories turnover days were calculated based on the average of opening and closing balance of inventories for the relevant year, divided by our cost of sales for the same year and multiplied by 365 days for each of 2021, 2022 and 2023.

Our inventories turnover days were more associated with the sales volume during the Track Record Period. Although we generally do not have a significant amount of slow-moving or obsolete stock, we may retain a portion of finished goods for display at our boutiques, which are normally sold at a slower pace than our other finished products. Our inventories turnover days were 357 days, 383 days and 205 days in 2021, 2022 and 2023, respectively. Our inventories turnover days during the Track Record Period were generally longer than our industry peers, but were still within the range of the industry level, according to Frost & Sullivan. Our inventories turnover days were mainly prolonged by our high-weight gold products, which are our differentiated series of products primarily targeting higher net-worth customers, and are normally sold at a slower pace than our other gold jewelry products, which is in line with the industry practice, according to Frost & Sullivan. The increase of our inventories turnover days 357 in 2021 to 383 in 2022 was mainly due to the negative impact of the recurrence of the pandemic on our offline sales in 2022. Our inventories turnover days significantly decreased to 205 in 2023, mainly as our sales grew rapidly and the efficiency of our supply chain management was improved with the elimination of the negative impact of the pandemic in 2023.

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## FINANCIAL INFORMATION

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The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year . . . . .	631,336	625,103	1,125,892
1 to 2 years . . . . .	100,480	121,743	79,219
2 to 3 years . . . . .	24,723	38,760	40,743
Over 3 years . . . . .	13,804	21,230	22,078
<b>Total . . . . .</b>	<b>770,343</b>	<b>806,836</b>	<b>1,267,932</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 1 year, accounting for 82.0%, 77.5% and 88.8%, respectively. Our inventories of longer age mainly represented finished goods, especially high-weight gold products, which are our differentiated series of products primarily targeting higher net-worth customers, and are normally sold at a slower pace than our other gold jewelry products. According to Frost & Sullivan, it is not uncommon in the industry that high-weight gold products have a slower inventory turnover compared to other gold jewelry products, mainly as the price of high-weight gold products is higher and the customer base with purchasing power for such products is relatively smaller. To promote the sales of our long-aged gold jewelry products, we may transfer them internally to our other boutiques with higher sales turnover. We may also consider pulling from shelves and melting those products if they are not sold within an unusually long period.

We have in place a comprehensive and robust inventory management and security system, which includes vaults, 24-hour surveillance at our boutiques, insurance coverage, daily stock count and monthly inventory count. Our management and sales team proactively track and monitor the turnover and inventory level at each boutique based on sales information that is updated in our IT system on a real-time basis. For more details, see “Business – Our Logistics and Inventory Management – Inventory Management” in this prospectus.

As of the Latest Practicable Date, RMB1,012.7 million, accounting for approximately 79.9% of our inventories as of December 31, 2023, was subsequently utilized.

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### Trade Receivables

In most cases, we settle the receivables with our customers on an immediate basis and no trade receivables with credit term arrangements are involved. Our trade receivables primarily represented receivables from shopping malls in accordance with the payment and settlement arrangements with them. For more details, see “Business — Product Sales — Our Boutiques — Arrangements With Shopping Malls” in this prospectus. The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	105,847	101,487	381,082
Impairment . . . . .	(1,415)	(1,221)	(4,757)
<b>Total</b> . . . . .	<b>104,432</b>	<b>100,266</b>	<b>376,325</b>

Our net trade receivables slightly decreased from RMB104.4 million as of December 31, 2021 to RMB100.3 million as of December 31, 2022, and then significantly increased to RMB376.3 million as of December 31, 2023, which was generally in line with our sales revenue.

We usually grant a credit period of up to 60 days to the relevant shopping malls. Overdue balances are reviewed regularly by our senior management. Trade receivables are non-interest-bearing. For more details, see Note 17 to the Accountants’ Report in Appendix I to this prospectus.

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:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month . . . . .	77,306	85,952	329,797
1 to 2 months . . . . .	27,126	10,213	22,821
2 to 3 months . . . . .	–	4,079	23,702
Over 3 months . . . . .	–	22	5
<b>Total</b> . . . . .	<b>104,432</b>	<b>100,266</b>	<b>376,325</b>

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The following table sets forth a summary of our trade receivables turnover days for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
Trade receivables turnover days* . . . . .	27	29	28

*Note:*

\* 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 each of 2021, 2022 and 2023.

Our trade receivables turnover days were 27 days, 29 days and 28 days in 2021, 2022 and 2023, respectively, which was in line with our credit policy and within the trade receivable turnover days of the industry. Our trade receivables turnover days generally remained stable in 2021, 2022 and 2023.

As of the Latest Practicable Date, RMB381.1 million, accounting for approximately 100.0% of our trade receivables outstanding as of December 31, 2023, was subsequently settled.

### Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash and bank balances. The following table sets forth the breakdown of our cash and cash equivalents as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents . . . . .	25,190	60,282	69,838
Denominated in . . . . .			
RMB . . . . .	18,346	56,646	42,646
HKD . . . . .	4,493	757	24,240
MOP . . . . .	2,351	2,879	2,952
<b>Total . . . . .</b>	<b>25,190</b>	<b>60,282</b>	<b>69,838</b>



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Our cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made within three months depending on the immediate cash requirements of our Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Our cash and cash equivalents increased from RMB25.2 million as of December 31, 2021 to RMB60.3 million as of December 31, 2022, and further to RMB69.8 million as of December 31, 2023, mainly in line with our business expansion and the accumulation of our ongoing operations.

### Trade Payables

Our trade payables primarily related to purchase of raw materials and services from third parties. Our trade payables to third parties are non-interest-bearing, and are normally settled on credit terms of one to three months after the invoice date.

Our trade payables decreased from RMB7.1 million as of December 31, 2021 to RMB5.1 million as of December 31, 2022, which was generally in line with the change in our sales volume due to the negative impact of the pandemic in 2022. Our trade payables significantly increased from RMB5.1 million as of December 31, 2022 to RMB57.7 million as of December 31, 2023, mainly due to an increase in purchase of raw materials to meet the growing demands for sales and production and an increase in outsourcing processing fees as a result of our business development.

The following table sets forth an aging analysis of the trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month . . . . .	5,712	4,329	29,829
1 to 2 months . . . . .	642	357	27,621
2 to 3 months . . . . .	320	56	119
Over 3 months . . . . .	415	363	93
<b>Total . . . . .</b>	<b>7,089</b>	<b>5,105</b>	<b>57,662</b>

## FINANCIAL INFORMATION

The following table sets forth a summary of our trade payables turnover days for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
Trade payables			
turnover days* . . . . .	6	3	7

*Note:*

\* Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant year, divided by the cost of sales for the same year, and multiplied by 365 days for each of 2021, 2022 and 2023.

Our trade payables turnover days were 6 days, 3 days and 7 days in 2021, 2022 and 2023, respectively, which remained at a relatively low level, mainly as most of our purchase is gold and the payment of gold purchase is generally fully made in advance, which is in line with industry norm.

As of the Latest Practicable Date, RMB57,660 thousand, accounting for approximately 100.0% of our trade payables outstanding as of December 31, 2023, was subsequently settled.

### Other Payables and Accruals

Our other payables and accruals primarily consisted of deposits, salary and welfare payables, other payables, accruals, interest payable and other tax payable. The following table sets forth the breakdown of our other payables and accruals 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>Current</b>			
Deposits . . . . .	3,000	3,800	3,800
Salary and welfare payables . . . . .	36,664	32,539	63,268
Other payables . . . . .	10,985	9,527	25,686
Accruals . . . . .	4,895	6,627	27,340
Interest payable . . . . .	305	392	110
Other tax payable . . . . .	12,013	10,913	19,886
<b>Total</b> . . . . .	<b>67,862</b>	<b>63,798</b>	<b>140,090</b>
<b>Non-current</b>			
Provisions . . . . .	1,794	2,184	2,418

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Our current other payables and accruals decreased from RMB67.9 million as of December 31, 2021 to RMB63.8 million as of December 31, 2022, mainly attributable to a decrease in bonus in salary and welfare payables to employees due to the slightly decreased offline sales affected by the pandemic in 2022. Our current other payables and accruals increased from RMB63.8 million as of December 31, 2022 to RMB140.1 million as of December 31, 2023, primarily due to (i) an increase in salary and welfare payables primarily because of the increased number of our employees and the rising salary level which was in line with our business growth; (ii) an increase in accruals, primarily representing the withholding of the rent/concession and other fees payable to the shopping malls, mainly resulting from (a) the increasing number of our leased/concession boutiques, and (b) our higher revenue for December 2023 compared to that for December 2022, primarily as the amount of monthly sales of boutique is one of the calculation bases of variable rent concession fees payable to shopping malls; (iii) an increase in other payables, mainly including the professional service fees for the Listing, the renovation fees and advertising and promotion fees. We generally withhold the rent/concession and other fees payable and record them as accruals on a monthly basis, and generally settle such fees with the shopping malls within the following month. For more details, see “Business — Product Sales — Our Boutiques — Arrangements With Shopping Malls” in this prospectus; and (iv) an increase in other tax payable, which was mainly due to the increase in our revenue.

Our non-current portion of other payables and accruals mainly represented provisions in relation to the projected restoration costs for our boutiques. Our non-current other payables and accruals generally increased during the Track Record Period, which were in line with the increase in the number of our boutiques.

### Contract Liabilities

Contract liabilities primarily included advances received to deliver goods. The changes in contract liabilities during the Track Record Period were mainly due to the changes in advances received from customers in relation to the delivery of goods at the end of each Track Record Period. The advances are recognized as revenue at the time of delivery of goods. The following table sets forth the breakdown 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>
Advances received from customers . . . .	5,630	8,819	27,766

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Our contract liabilities increased from RMB5.6 million as of December 31, 2021 to RMB8.8 million as of December 31, 2022, and further to RMB27.8 million as of December 31, 2023, mainly as we received increasing pre-sale orders and deposits for customized jewelry, which were generally in line with our business expansion. The significant increase of our contract liabilities from RMB8.8 million as of December 31, 2022 to RMB27.8 million as of December 31, 2023 was mainly due to (i) an increase in pre-sale orders which was in line with our sales growth in 2023; and (ii) an increase in deposits for customized jewelry, primarily as we received a large batch of deposits for a high-weight customized gold product in September 2023, which is expected to be delivered by September 30, 2024. For more details of pre-sale orders and customized products, see “Business — Our Products — Pre-Sale Orders and Customized Products” in this prospectus. Our contract liabilities further increased significantly to RMB207.4 million as of April 30, 2024, primarily due to an increase in pre-sale orders as driven by the increased market demand in the first four months of 2024.

As of the Latest Practicable Date, RMB16.4 million, accounting for approximately 59.0% of our contract liabilities as of December 31, 2023, was subsequently recognized as revenue.

### Deferred Income

Our deferred income primarily represented government grants relating to the lease of our Yueyang Factory, which are premised on a ten-year lease and paid to us in batches on a yearly basis over the lease term. For more details of our government grants, see “— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Income and Gains” in this section. We recorded deferred income of RMB0.6 million, RMB0.9 million and RMB1.2 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth the breakdown of our deferred income as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants . . . . .	568	893	1,150
At beginning of year . . . . .	650	568	893
Grants received during the year . . . . .	–	677	812
Released to the statement of profit or loss during the year . . . . .	(82)	(352)	(555)
At end of year . . . . .	<b>568</b>	<b>893</b>	<b>1,150</b>

## FINANCIAL INFORMATION

### CASH FLOWS

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a consolidation of cash flow generated from our operations and bank borrowings.

The following table sets forth a summary of our cash flows information for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>			
Operating profit before working capital changes . . . . .	231,955	227,679	705,986
Changes in working capital			
Increase in inventories . . . . .	(89,919)	(34,783)	(461,888)
(Increase)/decrease in trade receivables . . . . .	(27,702)	4,368	(279,570)
Decrease/(increase) in prepayments, deposits and other receivables . . . .	15,214	(19,691)	(21,136)
(Decrease)/increase in trade payables .	(6,837)	(1,984)	52,469
Increase in other payables and accruals . . . . .	24,489	820	81,743
Increase in contract liabilities . . . . .	2,625	3,190	18,947
Increase in deferred income . . . . .	–	677	812
<b>Cash generated from operations . . . . .</b>	<b>149,825</b>	<b>180,276</b>	<b>97,363</b>
Interest received . . . . .	123	168	350
Income tax paid . . . . .	(47,702)	(31,946)	(126,909)
<b>Net cash flows from/(used in) operating activities . . . . .</b>	<b>102,246</b>	<b>148,498</b>	<b>(29,196)</b>
<b>Net cash flows used in investing activities . . . . .</b>	<b>(30,949)</b>	<b>(34,583)</b>	<b>(59,218)</b>
<b>Net cash flows from/(used in) financing activities . . . . .</b>	<b>(55,684)</b>	<b>(79,268)</b>	<b>98,973</b>
<b>Net Increase in cash and cash equivalents . . . . .</b>	<b>15,613</b>	<b>34,647</b>	<b>10,559</b>
Cash and cash equivalents at beginning of the year . . . . .	9,719	25,190	60,282
Effect of foreign exchange rate changes, net . . . . .	(142)	445	(1,003)
<b>Cash and cash equivalents at end of the year . . . . .</b>	<b>25,190</b>	<b>60,282</b>	<b>69,838</b>

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## FINANCIAL INFORMATION

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### Net Cash Flows From/(Used in) Operating Activities

Net cash flows used in operating activities was RMB29.2 million in 2023, primarily due to profit before tax of RMB553.5 million, as adjusted for certain non-cash and/or non-operating items, mainly including (i) depreciation of right-of-use assets of RMB91.4 million; (ii) depreciation of property, plant and equipment of RMB25.6 million; (iii) finance costs of RMB18.2 million; and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in inventories of RMB461.9 million, and (ii) increase in trade receivables of RMB279.6 million; partially offset by increase in other payables and accruals of RMB81.7 million.

In order to improve our net operating cash outflow position in 2023, we intend to carry out the following strategies and measures: (i) improve our production efficiency and capacity by accelerating our production cycle; (ii) implement refined production management by assigning production plans based on projected sales volume, and increase the proportion of fast-moving products in our finished goods inventories to a proper extent; (iii) strengthen payment collection by increasing the percentage of payments directly collected by ourselves compared with payments collected by shopping malls first. For example, we plan to negotiate with more shopping malls that we cooperate with to use rent POS machine to collect payment; and (iv) strengthen cash and inventory monitoring and management so as to enhance fund utilization rate and maintain a healthy cash flow situation.

Net cash flows from operating activities was RMB148.5 million in 2022, primarily due to profit before tax of RMB126.8 million, as adjusted for certain non-cash and/or non-operating items, mainly including (i) depreciation of right-of-use assets of RMB60.2 million; (ii) depreciation of property, plant and equipment of RMB20.5 million; (iii) finance costs of RMB17.0 million; and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in inventories of RMB34.8 million, and (ii) increase in prepayments, deposits and other receivables of RMB19.7 million; partially offset by decrease in trade receivables of RMB4.4 million.

Net cash flows from operating activities was RMB102.2 million in 2021, primarily due to profit before tax of RMB154.2 million, as adjusted for certain non-cash and/or non-operating items, mainly including (i) depreciation of right -of-use assets of RMB45.3 million; (ii) depreciation of property, plant and equipment of RMB12.8 million; (iii) finance costs of RMB11.7 million; and (iv) negative changes in working capital. Adjustments for changes in working capital primarily included (i) increase in inventories of RMB89.9 million, and (ii) increase in trade receivables of RMB27.7 million; partially offset by (i) increase in other payables and accruals of RMB24.5 million, and (ii) decrease in prepayments, deposits and other receivables of RMB15.2 million.

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### **Net Cash Flows Used in Investing Activities**

Net cash flows used in investing activities was RMB59.2 million in 2023, primarily due to purchases of items of property, plant and equipment and other assets of RMB59.5 million, partially offset by proceeds from disposal of items of property, plant and equipment and other assets of RMB0.3 million.

Net cash flows used in investing activities was RMB34.6 million in 2022, primarily due to purchases of items of property, plant and equipment and other assets of RMB34.6 million, partially offset by proceeds from disposal of items of property, plant and equipment and other assets of RMB20,000.

Net cash flows used in investing activities was RMB30.9 million in 2021, primarily due to purchases of items of property, plant and equipment and other assets of RMB31.2 million, partially offset by proceeds from disposal of items of property, plant and equipment and other assets of RMB0.2 million.

### **Net Cash Flows From/Used in Financing Activities**

Net cash flows from financing activities was RMB99.0 million in 2023, primarily consisting of (i) capital contribution received from issuance of ordinary shares of RMB221.8 million, and (ii) new bank and other borrowings of RMB127.0 million; partially offset by (i) repayment of bank loans and other borrowings of RMB138.0 million, (ii) payments of lease liabilities of RMB89.7 million, (iii) payment of lease deposits of RMB17.6 million, and (iv) interest paid of RMB5.7 million.

Net cash flows used in financing activities was RMB79.3 million in 2022, primarily consisting of (i) repayment of bank loans and other borrowings of RMB185.8 million, (ii) payments of lease liability of RMB63.3 million, (iii) payment of lease deposits of RMB7.9 million, and (iv) interest paid of RMB5.9 million; partially offset by new bank and other borrowings of RMB183.4 million.

Net cash flows used in financing activities was RMB55.7 million in 2021, primarily consisting of (i) repayment of bank loans and other borrowings of RMB199.0 million, (ii) payments of lease liability of RMB48.7 million, (iii) interest paid of RMB5.6 million, and (iv) payment of lease deposits of RMB5.2 million; partially offset by new bank loans and other borrowings of RMB199.1 million.



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### WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we financed our operations primarily through cash generated from our operating activities, and our primary uses of cash were to fund our capital expenditures and working capital. Taking into consideration (i) our strong cash flow in the past, and (ii) our inventory mainly representing gold which is liquid asset in nature, 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 net proceeds from the Global Offering. As of December 31, 2023, we had cash and cash equivalents of RMB69.8 million.

Taking into account the financial resources available to us, including cash flow from operating activities, our current cash and cash equivalents and the estimated net proceeds from the Global Offering, our Directors are of the view that the working capital available to us is sufficient for our requirements for at least 12 months from the date of this prospectus.

### CAPITAL EXPENDITURE

During the Track Record Period, our Group incurred capital expenditures of RMB31.2 million, RMB34.6 million and RMB59.5 million in 2021, 2022 and 2023, respectively. Our capital expenditures primarily comprised of purchases of items of property, plant and equipment and other assets, which were related to our newly opened boutiques, leased offices and premises and expanded factory.

We have an expansion plan of our boutique network in the future which estimated to require additional capital expenditure. For more details, see “Future Plans and Use of Proceeds”, “Business — Product Sales — Our Boutiques — Our Boutique Network and Strategy” and “Risk Factors – Risks Relating to Our Financial Position – We expect to incur additional capital expenditure and increase in depreciation and amortization expenses associated with the expansion of our boutique network” in this prospectus.

### CAPITAL COMMITMENTS

As of December 31, 2021, 2022 and 2023 we had capital commitments of RMB5.2 million, RMB1.8 million and RMB2.6 million, respectively, which were in relation to leasehold improvements that were contracted but not provided for. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for			
Leasehold improvements . . . . .	5,237	1,790	2,569

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### INDEBTEDNESS

Our indebtedness mainly included interest-bearing bank and other borrowings and lease liabilities during the Track Record Period. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<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 and other borrowings . . . . .	136,601	136,231	127,754	103,787
Lease liabilities . . . . .	45,824	71,512	101,394	120,160
<b>Non-current</b>				
Lease liabilities . . . . .	129,029	127,185	165,419	169,308
<b>Total</b> . . . . .	<b>311,454</b>	<b>334,928</b>	<b>394,567</b>	<b>393,255</b>

As of April 30, 2024, we had outstanding indebtedness representing interest-bearing bank and other borrowings of RMB103.8 million and lease liabilities of RMB289.5 million.

Except as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2024. Since April 30, 2024 and up to the Latest Practicable Date, there had not been any material change to our indebtedness.

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### Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings primarily consisted of bank and other borrowings. The following table sets forth the components of our interest-bearing bank and other borrowings 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>
<b>Current</b>				
Bank loans – secured . . . . .	128,337	136,231	127,754	103,787
Current portion of long term bank loans – secured . . . . .	8,013	–	–	–
Other borrowings – unsecured . . . . .	251	–	–	–
<b>Total . . . . .</b>	<b>136,601</b>	<b>136,231</b>	<b>127,754</b>	<b>103,787</b>

We recorded interest-bearing bank and other borrowings of RMB136.6 million, RMB136.2 million, RMB127.8 million and RMB103.8 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

All of our interest-bearing bank and other borrowings are fixed-rate borrowings repayable within one year and shown under current liabilities. As of December 31, 2021, 2022 and 2023, the range of the effective interest rate of our bank loans was 3.93% to 5.16%, 2.03% to 4.90% and 2.24% to 3.98% per annum, respectively. As of December 31, 2021, the effective interest rate of our other borrowings was 6.50% per annum. All of our interest-bearing bank loans and other borrowings are denominated in RMB.

As of December 31, 2021, 2022 and 2023, inventory of RMB25.0 million, RMB30.6 million and RMB30.0 million were pledged as securities for our interest-bearing bank loans. As of December 31, 2021, 2022 and 2023, certain of our bank borrowings were guaranteed and counter-guaranteed by our related parties (the “**Guaranteed Loans**”). As of the Latest Practicable Date, the outstanding principal amount of our interest-bearing bank and other borrowings due to the Independent Third Party lenders under the Guaranteed Loans amounted to approximately RMB74.0 million. We are in negotiation with those Independent Third Party lenders for the full release or replacement of the CP Guarantees with guarantees to be provided by our Group and/or any third party upon the Listing. Further to such negotiation, all those lenders agreed to and/or were willing to initiate their internal procedures in respect of issuance of consent letters to fully release the CP Guarantees or replace them with guarantees to be provided by our Group and/or any third party, subject to their respective internal approval procedures. If such consent letters could not be obtained, all amounts under the Guaranteed Loans will be repaid before Listing. As of the end of each year of the Track Record Period and

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up to the Latest Practicable Date, our Group had no outstanding balances with any related parties. For more details, see “Relationship With Our Controlling Shareholders – Independence From Our Controlling Shareholders – Financial Independence” in this prospectus and Note 33 to the Accountants’ Report in Appendix I to this prospectus.

Our total facilities for bank and other borrowings amounted to RMB149.1 million, RMB156.2 million, RMB127.8 million and RMB180.0 million, of which RMB136.6 million, RMB136.2 million, RMB127.8 million and RMB74.0 million had been utilized as of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining banking facilities.

Our Directors confirmed that as of the Latest Practicable Date, the agreements under our borrowings did not contain any material covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirmed that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings, or breach of covenants.

### Lease Liabilities

We recognize lease liabilities at the commencement date of the lease at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

We had lease liabilities of RMB174.9 million, RMB198.7 million, RMB266.8 million and RMB289.5 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. The following table sets forth the breakdown of our lease liabilities 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>
Carrying amount at beginning of				
the year/period . . . . .	68,821	174,853	198,697	266,813
New leases . . . . .	59,185	68,338	133,585	43,711
Accretion of interest recognized				
during the year/period . . . . .	3,993	9,148	10,415	4,707
Remeasurement of leases . . . . .	–	(3,777)	–	–

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	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revision of a lease term arising from a change in the non-cancellable period of a lease	91,950	15,621	13,180	16,182
COVID-19-related rent concessions from lessors . . . . .	(97)	(3,282)	–	–
Payments . . . . .	(48,711)	(63,277)	(89,690)	(42,107)
Exchange realignment . . . . .	(288)	1,073	626	162
Carrying amount at end of the year/period . . . . .	<u>174,853</u>	<u>198,697</u>	<u>266,813</u>	<u>289,468</u>
Analyzed into: . . . . .				
Current portion . . . . .	45,824	71,512	101,394	120,160
Non-current portion . . . . .	129,029	127,185	165,419	169,308
<b>Total . . . . .</b>	<b><u>174,853</u></b>	<b><u>198,697</u></b>	<b><u>266,813</u></b>	<b><u>289,468</u></b>

### CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023, we did not have any contingent liabilities.

### KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	As of/Year Ended December 31,		
	2021	2022	2023
Gross profit margin <sup>(1)</sup> . . . . .	41.2%	41.9%	41.9%
Net profit margin <sup>(2)</sup> . . . . .	9.0%	7.3%	13.1%
Return on equity <sup>(3)</sup> . . . . .	16.0%	11.5%	34.9%
Return on total assets <sup>(4)</sup> . . . . .	10.9%	7.7%	24.1%
Current ratio <sup>(5)</sup> . . . . .	3.5x	3.4x	3.7x
Quick ratio <sup>(6)</sup> . . . . .	0.6x	0.7x	1.1x
Gearing ratio <sup>(7)</sup> . . . . .	17.7%	15.7%	8.4%
Debt to equity ratio <sup>(8)</sup> . . . . .	14.5%	8.7%	3.8%

*Notes:*

- (1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.
- (2) Net profit margin was calculated based on net profit after taxes divided by revenue for the respective year.

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- (3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.
- (6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities as of the relevant dates.
- (7) Gearing ratio was calculated based on interest-bearing bank and other borrowings divided by total equity as of the relevant dates and multiplied by 100%.
- (8) Debt to equity ratio was calculated based on interest-bearing bank and other borrowings net of cash and cash equivalents divided by total equity as of the relevant date and multiplied by 100%.

### **Gross Profit Margin**

In 2021, 2022 and 2023, our gross profit margin was approximately 41.2%, 41.9% and 41.9%, respectively. For more discussion of the factors affecting our gross profit margin during the Track Record Period, see “— Review of Historical Results of Operations” in this section.

### **Net Profit Margin**

In 2021, 2022 and 2023, our net profit margin was 9.0%, 7.3% and 13.1%, respectively. For more discussion of the factors affecting our net profit margin during the Track Record Period, see “— Review of Historical Results of Operations” in this section.

### **Return on Equity**

Our return on equity decreased from 16.0% in 2021 to 11.5% in 2022, mainly due to a decrease in net profit in 2022 primarily attributable to the negative impact of the pandemic. Our return on equity ratio increased from 11.5% in 2022 to 34.9% in 2023, mainly due to the higher growth in net profit contributed by the significant increase in revenue and thanks to the elimination of the negative impact of the pandemic in 2023.

### **Return on Total Assets**

Our return on total assets were 10.9%, 7.7% and 24.1% in 2021, 2022 and 2023, respectively, which were generally in line with the trend of return on equity.

### **Current Ratio**

Our current ratio generally remained stable at 3.5x, 3.4x and 3.7x as of December 31, 2021, 2022 and 2023, respectively.

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### Quick Ratio

Our quick ratio was 0.6x, 0.7x and 1.1x as of December 31, 2021, 2022 and 2023, respectively. Such increase was mainly due to the greater increase in our current assets despite the growing inventories, which was in line with our business expansion and the accumulation of our ongoing operations.

### Gearing Ratio

Our gearing ratio was 17.7%, 15.7% and 8.4% as of December 31, 2021, 2022 and 2023, respectively. Such decrease was mainly due to the greater increase in our total equity which was in line with our business expansion and the accumulation of our ongoing operations as well as the increase of our share capital as a result of the pre-IPO investments we obtained in 2023.

### Debt to Equity Ratio

Our debt to equity ratio was 14.5%, 8.7% and 3.8% as of December 31, 2021, 2022 and 2023, respectively. Such decrease was generally in line with our gearing ratio.

## RELATED PARTY TRANSACTIONS

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 sales of goods to related parties amounted to RMB0.7 million, RMB0.3 million and RMB2.5 million, respectively. In addition, certain of our related parties provided guarantees and counter-guarantees in connection with our interest-bearing bank borrowings (the “**Guaranteed Loans**”) up to RMB137.5 million, RMB138.0 million and RMB129.0 million as of December 31, 2021, 2022 and 2023, respectively. We are in negotiation with the Independent Third Party lenders for the full release or replacement of the CP Guarantees with guarantees to be provided by our Group and/or any third party upon the Listing. Further to such negotiation, all those lenders agreed to and/or were willing to initiate their internal procedures in respect of issuance of consent letters to fully release the CP Guarantees or replace them with guarantees to be provided by our Group and/or any third party, subject to their respective internal approval procedures. If such consent letters could not be obtained, all amounts under the Guaranteed Loans will be repaid before Listing. For more details, see Note 33 to the Accountants’ Report in Appendix I to this prospectus and “Relationship With Our Controlling Shareholders – Independence From Our Controlling Shareholders – Financial Independence” in this prospectus.

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 to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole, 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.



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### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### RISK DISCLOSURES

We are exposed to a variety of financial risks, including credit risk, liquidity risk, and market risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. For more details, see Note 36 to the Accountants' Report in Appendix I to this prospectus. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

#### Credit Risk

Our Group trades only with recognized and creditworthy third parties. It is our 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 our Group are dispersed. In addition, receivable balances are monitored on an ongoing basis.

The accounts receivable and financial assets included in prepayments, deposits and other assets represent our Group's major exposure to the credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position. Our Group's retail sales of jewelry and the transactions completed on boutiques and e-commerce platform are usually transacted on a cash basis, via popular credit cards or through reputable and dispersed shopping malls which help collect the sale proceeds and online sales platforms. Our Group has no significant concentrations of credit risk with respect to its retail business as it has a large number of diversified customers. Our Group's receivables generally arise from sales with department stores and e-commerce platforms, which are generally on credit terms within 60 days. Our Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimize the credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management.

For more details, see Note 36 to the Accountants' Report in Appendix I to this prospectus.

#### Liquidity Risk

Our Group manages the risk of fund deficiency with a circular liquidity planning tool. The tool take both the due date of financial instrument and the expected cash flow generated from operations of our Group into consideration. Our Group aims to utilize bank loan along with other financing methods to maintain the balance between the consistency and flexibility financing activities.

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For more details, see Note 36 to the Accountants' Report in Appendix I to this prospectus.

### **Market Risk**

#### *Exchange Rate Risk*

Our management believes the exchange risk of foreign currency is not significant as the majority of business transactions occur in mainland China and all domestic transactions are denominated in Renminbi (RMB).

### **Capital Management**

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

Our 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, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

For more details, see Note 36 to the Accountants' Report in Appendix I to this prospectus.

### **DIVIDENDS**

No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We currently do not have any dividend policy to declare or pay any dividends in the foreseeable future.

After completion of the Global Offering, 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.

There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, we do not intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the Global Offering.

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## FINANCIAL INFORMATION

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PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdiction, including the IFRSs. According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of the losses incurred in the previous year;
- allocations to the statutory reserve equivalent to 10% of our profit after tax; and
- allocation to a discretionary common reserve of not less than 10% of our profit after tax that are approved by a shareholders' meeting.

### DISTRIBUTABLE RESERVES

As of December 31, 2023, the retained profits available for distribution to our Shareholders as of December 31, 2023 amounted to RMB674.9 million.

### LISTING EXPENSES

We estimate that the listing expenses of approximately RMB67.9 million (HK\$74.5 million) (including underwriting commissions of approximately RMB28.7 million (HK\$31.5 million), assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK\$40.50 per Offer Share) will be incurred by our Company, among which (i) underwriting-related expenses, including underwriting commission and other expenses are approximately RMB28.7 million (HK\$31.5 million); and (ii) non-underwriting-related expenses are approximately RMB39.2 million (HK\$43.0 million), comprising (a) fees and expenses of legal advisors and accountants of approximately RMB23.5 million (HK\$25.7 million), and (b) other fees and expenses of approximately RMB15.7 million (HK\$17.3 million). As of December 31, 2023, we incurred a total of approximately RMB18.1 million (HK\$19.9 million) of listing expenses, among which RMB13.7 million (HK\$15.1 million) were recognized in our statement of profit or loss, and RMB4.4 million (HK\$4.8 million) were expected to be deducted from equity.

We estimate that additional listing expenses of approximately RMB49.8 million (HK\$54.6 million) (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK\$40.50 per Offer Share) will be incurred by our Company, among which approximately RMB17.5 million (HK\$19.2 million) is expected to be charged to our statements of profit or loss, and approximately RMB32.3 million (HK\$35.4 million) is expected to be deducted from equity. Our listing expenses as a percentage of gross proceeds is 9.5%, assuming an Offer Price of HK\$40.50 per Share and the Offer Size Adjustment Option and the Over-allotment Option are not exercised. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to the equity shareholders of our Company as of December 31, 2023 as if the Global Offering had taken place on December 31, 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to equity shareholders of our Company had the Global Offering been completed as of December 31, 2023 or any future date.

	<b>Consolidated net tangible assets attributable to owners of our Company as of December 31, 2023</b>	<b>Estimated net Proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share as of December 31, 2023</b>	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2, 4)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$40.50 per Share. . . . .	1,512,539	663,208	2,175,747	13.42	14.74

*Notes:*

- (1) The consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023 was equal to the audited net assets attributable to the owners of our Company as of December 31, 2023 of RMB1,515,416,000 after deducting of other intangible assets of RMB2,877,000 as of December 31, 2023 set out in the Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$40.50 per Share, after deduction of the underwriting fees and other related expenses payable by our Company (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) without taking into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.

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## FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is arrived at after adjustments referred to in the preceding paragraphs above and on the basis that 162,093,800 Shares are in issue assuming the Global Offering have been completed on December 31, 2023 without taking into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi (“RMB”) at an exchange rate of HK\$1.00 to RMB0.91059 and the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at the same exchange rate. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2023.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the date of this prospectus, other than as disclosed above and under “Recent Developments and No Material Adverse Change” in the “Summary” section in this prospectus, 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 combined financial statements in the Accountants’ in Appendix I to this prospectus.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **RECENT DEVELOPMENTS**

For further details of recent developments of our Group, see “Summary — Recent Developments and No Material and Adverse Change” in this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans, see “Business – Our Development Strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$713.2 million payable by us in connection with the Global Offering, and assuming the Offer Size Adjustment Option and the Over-Allotment Option being not exercised and at an Offer Price of HK\$40.50 per Share.

We currently intend to apply these net proceeds for the following purposes:

- 73.3% or approximately HK\$523.3 million, will be allocated to expand our sales network and promote the internationalization of our brand through opening new boutiques at both domestic and overseas markets within the next few years. Specifically, we intend to allocate the net proceeds in the amounts as set forth below:
  - 44.4%, or approximately HK\$317.0 million, will be allocated to set up approximately ten new boutiques in mainland China, primarily targeting tier-one cities and new tier-one cities with great market potential, including Beijing, Shanghai, Guangzhou, and Shenzhen, Zhengzhou, Xi’an, Hangzhou and Nanjing, among others, so as to further strengthen our offline sales network, increase our market penetration, and extend our reach to a broader customer base. Specifically, we plan to establish new boutiques in high-end shopping malls, considering that (a) these shopping malls typically have better customer traffic of and larger market demand from high net-worth individuals. We believe that such expansion strategy is in line with our product and brand positioning as well as our target customer base; and (b) we are well-positioned to leverage our past experience of operating boutiques in high-end shopping malls, as well as our stable and long-lasting relationships with these shopping malls. We also plan to establish new boutiques in other cities, primarily in provincial capital cities. We will mainly target neighborhood where customers have stronger spending power with relatively higher demand for gold jewelry products. To maintain an appropriate balance between effective prevention of cannibalization and promotion of necessary competition among different boutiques, we have carefully evaluated and determined the distance between our existing and new boutiques based on our market research and analysis, and after considering various other factors including customer traffic, market demands, customer positioning, and local spending power of the surrounding neighborhood, to minimize unhealthy competition and cannibalization amongst boutiques. We have also assessed the number of boutiques that a regional market can accommodate based on the sales potential and coverage rate, and control the number of boutiques accordingly. For more details of our mitigating

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## FUTURE PLANS AND USE OF PROCEEDS

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measures for potential cannibalization risks, see “Business — Our Products — Our Boutiques — Our Boutique Network and Strategy — Our Expansion Plans” in this prospectus. In terms of our expansion pace, in mainland China, we plan to (i) open four new boutiques in 2024; (ii) open four new boutiques in 2025; and (iii) open two new boutiques in 2026. The expected gross floor area for each newly-opened boutique is approximately 80-100 square meters. The monthly rent per boutique in tier-one cities is expected to be HK\$400,000-500,000, and the monthly rent per boutique in new tier-one cities is expected to be HK\$320,000. We expect to incur a total capital expenditure of approximately HK\$322.4 million for the establishment of the aforesaid new boutiques, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as staff recruitment and training expenses required for the newly-opened boutiques. The amount of capital expenditure is estimated based on the actual expenditure on the establishment of our existing boutiques and current market conditions in the relevant cities. Such plan, including the number of boutiques, the selected location, the estimated size, and the expected capital expenditure of each boutique, among others, is subject to changes according to our actual needs and market conditions at the relevant time. We plan to fund the establishment of the aforementioned eight new boutiques with net proceeds from the Global Offering and fund the part that exceeds the allocated net proceeds, if any, with our internal capital resources. Based on the actual initial breakeven period and cash investment payback period of our existing boutiques, we expect that the average initial breakeven period of the boutiques to be opened in mainland China in 2024 is approximately one month, and the average cash investment payback period for the boutiques to be opened in mainland China in 2024 is approximately four months. For details of the formula and the key factors that we take into consideration for the measurement of initial breakeven period and cash investment payback period, see “Business — Product Sales — Our Boutiques — Performance of Our Boutiques — Initial Breakeven Period and Cash Investment Payback Period” in this prospectus; and

- 28.9%, or approximately HK\$206.3 million, will be allocated to open approximately five new boutiques outside of mainland China, including Hong Kong, Macau, Singapore, and gradually expand our footprint in other cities in the Asian market such as Tokyo, and enhance our brand recognition abroad. We plan to follow a gradual internationalization process by first testing the waters in certain top-tier cities with relatively high per capita GDP and per capita disposable income in Asia, mainly as traditional Chinese culture is generally recognized in these regions, and we believe there will be sufficient demands for our products. Similarly, we will target high-end shopping malls and reputable commercial centers where customers have similar spending patterns as in tier-one cities in mainland China. We believe that such unified and consistent expansion strategy will enable us to enlarge our customer base and enhance our internationalization process at a faster and smoother pace. Specifically, outside of mainland China, we plan to (i) open one new boutique



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## FUTURE PLANS AND USE OF PROCEEDS

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in 2024; and (ii) open four new boutiques in 2025. The expected gross floor area for each newly-opened boutique is approximately 80 square meters. Based on our analysis, we estimate that the monthly rent per boutique in cities outside of mainland China is expected to range from HK\$640,000 to HK\$800,000. We expect to incur a total capital expenditure of approximately HK\$206.3 million for the establishment of the aforesaid new boutiques, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as staff recruitment and training expenses required for the newly-opened boutiques. The amount of capital expenditure is estimated based on the actual expenditure on the establishment of our existing boutiques and current market conditions. Such plan, including the number of boutiques, the selected location, the estimated size, and the expected capital expenditure of each boutique, among others, is subject to changes according to our actual needs and market conditions at the relevant time. We plan to fund the establishment of the aforementioned five new boutiques with net proceeds from the Global Offering and fund the part that exceeds the allocated net proceeds with our internal capital resources. We expect that the average initial breakeven period of the boutiques to be opened outside of mainland China in 2024 is approximately one month, and the average cash investment payback period for the boutiques to be opened outside of mainland China in 2024 is approximately seven months. We expect that the initial breakeven and cash investment payback periods for the boutiques to be opened in the overseas market will be similar to those opened in Hong Kong and Macau during the Track Record Period, primarily because (i) similar to Hong Kong and Macau, the other target cities in the overseas markets are all political and economic centers in the relevant regions, and we have identified comparable economic indicators, such as GDP per capita, disposable income, and purchasing power, that suggest a similar capacity for consumer spending in these markets; (ii) for boutiques to be opened in the overseas markets, we will also adopt a self-operation business model, which we believe can make it easier for us to put strategies in place to replicate the operational efficiencies and cost structures that have contributed to the performance of our boutiques in Hong Kong and Macau during the Track Record Period, despite the differences in operating environments; and (iii) we will adapt our business model, marketing strategies, and product offerings to align with the specific needs and preferences of other cities in the overseas markets, while leveraging our experience accumulated in Hong Kong and Macau. For details of the formula and the key factors that we take into consideration for the measurement of initial breakeven period and cash investment payback period, see “Business — Product Sales — Our Boutiques — Performance of Our Boutiques — Initial Breakeven Period and Cash Investment Payback Period” in this prospectus.

For more details, see “Business — Product Sales — Our Boutiques — Our Boutique Network and Strategy” in this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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- 11.3%, or approximately HK\$80.4 million, will be allocated to maintain the positioning of our brand and increase our brand awareness. Specifically:
- 6.5%, or approximately HK\$46.3 million, will be allocated to enhance our brand awareness through promoting our brand and products through various channels and methods for the next two years, such as placing advertisements on social media and other digital platforms, and enhance our offline marketing, including hosting promotional events at our boutiques;
  - 2.6%, or approximately HK\$18.5 million, will be allocated to invest in corporate image (CI) planning and construction. Specifically, we intend to (i) hire a brand promotion team, expected to include one vice president for branding, one senior brand designer and one general brand promoter, whose monthly salaries are expected to range from approximately HK\$41.7 thousand to approximately HK\$150 thousand, to develop a series of internationalized brand image display solutions for the next two years; and (ii) engage an experienced branding team for long-term brand upgrades for the next two years, including overall brand image planning, content production such as copywriting and graphic design, establishment of full media matrix, planning of marketing exhibition, and maintenance of public relations; and
  - 2.2%, or approximately HK\$15.6 million, will be allocated to renovate and upgrade the image of our offline boutiques that have been in operation for more than five years, to ensure that the design and decoration of our boutiques is always up-to-date and new so that we can successfully convey our brand values and promote our brand to our target customers. Specifically, we plan to redesign and refurbish around eleven boutiques to rejuvenate their image within the next few years, including ten boutiques in 2024, and one boutique in 2025, at an average cost of approximately HK\$1.7 million per boutique.

We expect to incur a total capital expenditure of approximately HK\$84.8 million for maintaining the positioning of our brand and increasing our brand awareness. We plan to fund the part that exceeds the allocated net proceeds, if any, with our internal capital resources.

- 2.7%, or approximately HK\$19.1 million, will be allocated to optimize the internal information technology system and enhance the level of automation and informatization, so as to improve the efficiency of our operation. Specifically, we intend to allocate:
- 1.6%, or approximately HK\$11.8 million, to purchase software which is essential to the construction and optimization of our internal information technology system, as well as to pay for the software service fees, such as cloud server and bandwidth service fees, in the next two years. For example, we plan to purchase and start upgrading our digital office platform and boutique inspection system, and at the same time, optimize our online boutique on WeChat Mini Program in 2024;

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## FUTURE PLANS AND USE OF PROCEEDS

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- 0.7%, or approximately HK\$4.8 million, to build a data processing platform, which is expected to be operational from 2025 onwards, to centralize the sorting, integration, analysis and application of front data, and allocate relevant data to the corresponding internal departments for further process, so as to optimize the collaboration of various departments within our Company and drive the improvement of our operation efficiency, as well as to hire IT staff to operate and maintain such platform. We plan to hire two IT professionals in 2024. The expected monthly salary for IT professional is approximately HK\$25.0 thousand. Such recruitment plan is subject to changes according to our actual needs and market conditions at the relevant time; and
- 0.4%, or approximately HK\$2.5 million, for the purchase and upgrade of hardware in the next two years. The following table sets forth the details of each type of hardware we intend to purchase:

Type of Hardware	Function	Expected Purchase	Useful Life
Factory security server . . . . .	For installing factory surveillance, alarm, infrared, and access control platforms	5 sets	3-5 years
Factory security core router . . . . .	For the construction of factory security networks and factory office networks	2 sets	3 years
Factory security switch. . . . .	Hub for all end-devices	40 sets	3 years
Factory monitoring and alarm equipment . . . . .	To monitor scenes inside and outside the factory, and recognize suspicious situations and raise the alarm	800 sets	2-3 years
Electronic credential storage server . . . . .	To store electronic credentials	4 sets	3-5 years

We expect to incur a total capital expenditure of approximately HK\$19.8 million for optimizing the internal information technology system and enhancing the level of automation and informatization. We plan to fund the part that exceeds the allocated net proceeds, if any, with our internal capital resources.

- 2.7%, or approximately HK\$19.1 million, will be allocated to strengthen our research and development capabilities. We believe that as a heritage gold jewelry brand dedicated to offer quality products to customers, our R&D capability has underpinned our success in the past and an increasing input in R&D activities is key to maintain our competitive advantages in the future. In order to further enhance our R&D capability to support our business expansion in the future, we plan to

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## FUTURE PLANS AND USE OF PROCEEDS

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strengthen our R&D team, implement R&D projects in relation to the manufacturing techniques and technical process of gold products, and set up a product research and development center (“**R&D center**”) to strengthen our overall R&D infrastructure and improve our R&D efficiency. Specifically, we intend to allocate:

- 2.0%, or approximately HK\$14.1 million, to strengthen our R&D team to operate the R&D center, and implement R&D projects in relation to the manufacturing techniques and technical process of gold products for the next two years, such as pure gold hardening technology, embedding technology, hammering technology, and the material formula of heat treatment of enamels, etc. Building upon our R&D team, we plan to recruit two new R&D design engineers in each of the next two years, with an expected per capita monthly salary of approximately HK\$83.3 thousand. Such recruitment plan is subject to changes according to our actual needs and market conditions at the relevant time;
- 0.6%, or approximately HK\$4.0 million, to set up an R&D center, locating on the same floor of the same building of our headquarter in Beijing, China in order to improve the efficiency of collaboration between our R&D department and other departments. The expected gross floor area of the R&D center is approximately 200 square meters, and the monthly rent is expected to be approximately HK\$35,000. We plan to complete the setting up of the R&D center in two years; and
- 0.1%, or approximately HK\$1.0 million, to acquire high-precision research and development equipment, as well as purchase office facilities and related software systems to equip our R&D center, so as to strengthen our overall R&D infrastructure and improve our R&D efficiency. The following table sets forth the details of each type of research and development equipment we intend to purchase:

Type of R&D Equipment	Function	Expected Purchase	Useful Life
Mineral pigment grinding machine . . . . .	For grinding and blending mineral pigments	2 sets	3 years
Automated cutting and welding machine . . . . .	For automated material processing, such as cutting, welding, etc.	1 set	3 years
Microscope for embedding . . . . .	To magnify the images of tiny and delicate objects for visualization and embedding operations	5 sets	3 years

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## FUTURE PLANS AND USE OF PROCEEDS

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Type of R&D Equipment	Function	Expected Purchase	Useful Life
3D scanner. . . . .	To detect and analyze the shape (geometric configuration) and appearance data (e.g., color, surface albedo, and other properties) of a product mold and integrate the collected data to create a digital model of the product mold through 3D reconstruction calculations	1 set	3 years
Hardness tester for gold materials. . . . .	For measuring the surface hardness of gold materials	1 set	3 years
Surface hardness tester. . . . .	For measuring the surface hardness of various materials	1 set	3 years
Component tester . . . . .	To test the composition and proportion of each metal component in materials, to assist in monitoring the quality of the material and determining the characteristics of the material, such as processability, durability and stability	1 set	3 years

We expect to incur a total capital expenditure of approximately HK\$20.7 million for R&D team strengthening and R&D project implementation, the setting up of R&D center, and the acquisition of R&D equipment and the office facilities and related software systems. We plan to fund the part that exceeds the allocated net proceeds, if any, with our internal capital resources.

- 10.0%, or approximately HK\$71.3 million, will be allocated to our general working capital and general corporate purposes.

If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the net proceeds that we will receive will be approximately HK\$957.1 million at an Offer Price of HK\$40.50 per Share. In the event that the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). We will make an appropriate announcement in compliance with the Listing Rules if there is any material change to the above use of proceeds.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited  
CCB International Capital Limited  
BOCOM International Securities Limited  
Tiger Brokers (HK) Global Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 1,945,200 Hong Kong Offer Shares and the International Offering of initially 17,506,100 International Offer Shares, subject to, in each case, reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as the Offer Size Adjustment Option and the Over-allotment Option (applicable only to the International Offering).

### UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

We have entered into the Hong Kong Underwriting Agreement with, among others, the Hong Kong Underwriters on June 19, 2024. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Subject to (a) the Listing Committee granting listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option) and the H Shares to be converted from Unlisted Shares on the Main Board of the Hong Kong Stock Exchange and the listing and permission not having been revoked; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (but not jointly) to subscribe for, or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares being offered but which are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

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## UNDERWRITING

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The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into, becoming unconditional and not having been terminated.

### *Grounds for Termination*

The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), can, in its sole and absolute discretion, by a notice in writing to us, terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any new law or any change or development involving a prospective change in existing law, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the PRC, Hong Kong, Macau, the United States, the United Kingdom, or the European Union (or any of its members) (each a “**Relevant Jurisdiction**”); or
  - (ii) any change or development involving a prospective change or development in local, national, regional or international financial, political, military, industrial, economic, trading, currency market, fiscal or regulatory market conditions, equity securities or any monetary or trading settlement system or financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction; or
  - (iii) any event or a series of events, in the nature of force majeure (including, without limitation, any act of government or order of any court, strike, calamity, crisis, lock-out, fire, explosion, flooding, earthquake, civil commotion, act of war, outbreak or escalation of hostilities (whether or not war is declared), act of God, act of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, outbreak or escalation of disease (including infectious disease, including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms); or
  - (iv) the imposition or declaration of any moratorium, suspension or limitation (including, without any limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or



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## UNDERWRITING

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- (v) (a) any change or prospective change in taxation, foreign exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies) or the implementation of any exchange control, or (b) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any jurisdiction relevant to the business operations of any member of our Group; or
- (viii) the issue or requirement to issue by us of a supplemental or amendment to this prospectus, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC; or
- (ix) any Controlling Shareholder, any Director, any Supervisor or any member of our Group's senior management being charged with an indictable offense or prohibited by laws or otherwise disqualified from taking part in the management of a company, or any litigation, dispute, legal action, claim, investigation or other action (including arrest or detainment) or proceedings being commenced by an authority, threatened or instigated against any member of our Group, any Controlling Shareholder, any Director, any Supervisor or any member of our Group's senior management; or
- (x) any adverse change or any development involving a prospective adverse change in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profitability, results of operations, position or condition (financial or otherwise) or performance of any member of our Group or our Group as a whole (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or
- (xi) any of the chairman, the executive Directors or members of our Group's senior management vacating his/her office; or

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## UNDERWRITING

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- (xii) any demand by creditors for repayment of indebtedness before its maturity or a petition being presented for the winding-up or liquidation of any Group Company or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiii) any contravention by any member of our Group of any applicable Laws including the Listing Rules and the CSRC Rules (as defined in the Hong Kong Underwriting Agreement); or
- (xiv) that any statement contained in any of this prospectus, the application proof, the post-hearing information proof and any notice, announcement, advertisement, communication issued or used (by or on behalf of the Company) in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, inaccurate, incorrect or misleading or deceptive, or any forecast, estimate, expression of opinion, intention or expectation expressed in any of this prospectus, the application proof, the post-hearing information proof and any notice, announcement, advertisement, communication so issued or used is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
- (xv) either (a) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by us or any of our Controlling Shareholders or (b) any of the representations, warranties and undertakings given by us or any of our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, inaccurate or misleading; or
- (xvi) any non-compliance of this prospectus, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement), or any other applicable laws

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters): (a) is, will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management,

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## UNDERWRITING

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prospects, shareholder's equity, profitability, results of operations, position or condition (financial or otherwise), or performance of any member of our Group or our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such; or (b) has, will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for, under the Hong Kong Public Offering or the level of interest under the International Offering; or (c) makes, will make it or may make it impracticable or inadvisable or incapable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or (d) would have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there comes to the notice of any of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters as at or after the date of the Hong Kong Underwriting Agreement:
- (i) a governmental or regulatory prohibition on us for whatever reason from issuing or selling the H Shares (including H Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (ii) a governmental or regulatory prohibition on us for whatever reason from converting any Unlisted Shares into H Shares upon completion of the Global Offering; or
  - (iii) any contravention by any member within our Group or any Director or any Supervisor of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or the Listing Rules; or
  - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes an material omission or misstatement; or

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## UNDERWRITING

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- (v) any of the experts named in this prospectus (except the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries or legal opinions (as the case may be) and references to its name included in the form and context in which they respectively appear; or
- (vi) any event, act or omission which gives or is likely to give rise to any material liability of us or our Controlling Shareholders (as the case may be) pursuant to the indemnities given by us and our Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (vii) any material breach of any of the obligations of us or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (viii) a significant portion of the orders in the book-building process at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of the Cornerstone Agreements, has been withdrawn, terminated or canceled; or
- (ix) we have withdrawn this prospectus (and/or any other documents issued or used by or on behalf of us in connection with the Global Offering) or the Global Offering; or
- (x) the approval by the Listing Committee of the listing of, and the permission to deal in, the Offer Shares and the H Shares to be converted from Unlisted Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld.

### ***Indemnity***

We have agreed to indemnify amongst others, the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **Offer Size Adjustment Option**

As part of the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, pursuant to which, the Company may issue and allot any number of up to an aggregate of 2,917,600 H Shares, representing approximately 15% of the Offer Shares initially offered under the Global Offering, at the Offer Price, to cover

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## UNDERWRITING

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additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Sole Overall Coordinator prior to the execution of the International Underwriting Agreement and will expire upon execution of the International Underwriting Agreement. These additional Offer Shares (the “**Offer Size Adjustment Option Shares**”), if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the reallocation arrangement described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” below and the Sole Overall Coordinator shall allocate additional new H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

### **The Hong Kong Underwriters’ Interests in Us**

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested directly or indirectly in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

The Hong Kong Underwriters and their affiliates may, subject to applicable laws and regulations and in their ordinary and usual course of business, (i) provide financing in connection with the subscription for, or purchase of, our securities with security interests over all or part of such securities subscribed or purchased, and/or (ii) participate in or facilitate the subscription for, or purchase of, our securities.

### **Lock Up Arrangement**

#### ***Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules***

##### *(A) Undertakings given by us*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue further Shares, or securities convertible into Shares (whether or not of a class already listed), or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except the Offer Shares to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), or for other circumstances permitted under Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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*(B) Undertakings by each of our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, save as disclosed in this prospectus and except pursuant to the Global Offering, the Offer Size Adjustment Option and the Over-allotment Option, they will not:

- (i) in the period commencing on the date by reference to which disclosure of the Shareholder's holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), directly or indirectly dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which the Shareholder is shown in this prospectus to be the beneficial owner; or
- (ii) in the period of six months from the expiry of the First Six-month Period (the "**Second Six-month Period**") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (i) above if, immediately following the disposal or upon the exercise or enforcement of the options, rights, interests or encumbrances, the Shareholder would cease to be our Controlling Shareholder.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and us that during the First Six-month Period and the Second Six-month Period:

- (i) when the Shareholder pledges or charges any Shares beneficially owned by the Shareholder in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when the shareholder receives indications, either verbal or written, from the pledgee or chargee of Shares (or our other securities) that those pledged or charged Shares (or our other securities) will be disposed of, immediately inform us of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters by any of our controlling shareholders and disclose those matters by way of an announcement as required under the Listing Rules.

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## UNDERWRITING

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### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertaking by us*

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters not to (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option), and to procure that each of the members of our Group shall not, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the First Six-month Period, without the prior written consent of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of ours or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of ours); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of ours or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of ours); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any such transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other equity securities of ours or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of ours will be completed within the First Six-month Period).



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## UNDERWRITING

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In the event that, during the Second Six-month Period, we enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we will take all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market in the H Shares or any other equity securities of ours.

We have undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that we will, and each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters to procure that we will, comply with the minimum public float requirements specified in the Listing Rules or in any waiver granted to us and not revoked, withdrawn, amended or invalidated by the Hong Kong Stock Exchange (the “**Minimum Public Float Requirement**”). In addition, we have undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Sponsor-Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that we will not, and each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters to procure that we will not agree to or effect any purchase of H Shares which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the Minimum Public Float Requirement on or before the first anniversary of the Listing Date.

*(B) Undertaking by the Controlling Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to us, and each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) the Shareholder will not at any time, during the First Six-month Period:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any equity securities of ours or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of ours) beneficially owned by him/it as of the Listing Date (the “**Locked-up Securities**”);

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of ours or in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period); or

- (b) the Shareholder will not, at any time during the Second Six-month Period, enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above in respect of any Locked-up Securities or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he will cease to be our Controlling Shareholder; and
- (c) until the expiry of the Second Six-month Period, in the event that it enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above in respect of any Locked-up Securities or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other equity securities of ours.

The above undertaking shall not prevent our Controlling Shareholders or the relevant registered holder(s), any nominee or trustee holding any H Shares or other securities on trust for him/it or the companies controlled by him/it from (i) purchasing additional H Shares or other securities of ours and disposing of such additional H Shares or other securities of ours, provided that such purchase does not contravene the lock-up arrangements with our Controlling Shareholders above or compliance by us with the requirement of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float in the H Shares, or (ii) using the H Shares or other securities of ours or any interest therein beneficially owned by them as security (including without limitation a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that for the purpose of (ii) above, our Controlling Shareholders agree and undertake to use all reasonable endeavours to ensure that the relevant authorized institution which enforces the relevant security during the First Six-Month Period (if any) will not dispose of the underlying H Shares (whether in on market or off market).

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## UNDERWRITING

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### International Offering

#### *International Underwriting Agreement*

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters on or around Wednesday, June 26, 2024. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally (but not jointly) agree to purchase or procure purchasers for the International Offer Shares initially offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on grounds similar to those contained in the Hong Kong Underwriting Agreement. See the subsection headed “Structure of the Global Offering — The International Offering” for further details.

#### *Over-allotment Option*

We intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part, at the sole and absolute discretion of the Sole Overall Coordinator on behalf of the International Underwriters from the Listing Date until 30 days from the last day permitted for the making of applications under the Hong Kong Public Offering, pursuant to which we may be required to allot and issue up to an aggregate of 2,917,600 additional H Shares (representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 3,355,300 additional H Shares (representing approximately 15% of the total number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price to cover over-allocations in the International Offering, if any. See the subsection headed “Structure of the Global Offering — Over-allotment Option” for details.

### COMMISSION AND EXPENSES

The Underwriters will receive an underwriting commission (the “**Fixed Fee**”) of 3% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid to the International Underwriters. In addition, the Underwriters may receive a discretionary incentive fee (the “**Discretionary Fee**”) of up to 1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). The ratio of Fixed Fees and Discretionary Fees (if fully paid) is therefore 75:25.

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## **UNDERWRITING**

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Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised at all, the aggregate commissions and fees (exclusive of any discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company are estimated to amount to approximately RMB67.9 million in aggregate.

### **SOLE SPONSOR'S FEE**

A fee of HK\$5 million is payable by the Company as sponsor fees to the Sole Sponsor.

### **SOLE SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

### **ACTIVITIES BY UNDERWRITERS**

Each of the Underwriters and their respective affiliates may individually undertake a variety of activities which do not form part of the underwriting or stabilizing process.

The Underwriters and their respective affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their business activities, the Underwriters and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. These investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to our H Shares, the activities of the Underwriters and their respective affiliates may include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our H Shares (whose financing may be secured by our H Shares) in the Global Offering, proprietary trading in our H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our H Shares, which may have a negative impact on the trading price of our H Shares. All such activities may take place in Hong Kong and elsewhere in the world and may result in the Underwriters and their

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## UNDERWRITING

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respective affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having our H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering”. Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters and their respective affiliates will be subject to certain restrictions, including the following:

- (a) the Underwriters and their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Underwriters and their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Some of the Underwriters or their respective affiliates have provided from time to time and are expected to provide to our Group investment banking and other services in the future for which the Underwriters or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Underwriters or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

The Global Offering consists of (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option as described below):

- (a) the Hong Kong Public Offering of initially 1,945,200 H Shares as described below under “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 17,506,100 H Shares outside the United States (including to professional and institutional investors in Hong Kong) in offshore transactions in reliance on Regulation S, as described below under the subsection headed “— The International Offering”.

Investors may either apply for our H Shares under the Hong Kong Public Offering; or apply for or indicate an interest, if qualified to do so, for our H Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 12.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised). If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 15.3% of the total Shares in issue immediately following the completion of the Global Offering.

### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the conditions set out in the subsection headed “— Conditions of the Global Offering”.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about Wednesday, June 26, 2024.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting”.

### THE HONG KONG PUBLIC OFFERING

#### Number of H Shares Initially Offered

We are initially offering 1,945,200 H Shares at the Offer Price for subscription by the public in Hong Kong, representing approximately (i) 10.0% of the 19,451,300 H Shares initially made available under the Global Offering and (ii) 1.2% of the total Shares in issue immediately following the completion of the Global Offering (subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

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## STRUCTURE OF THE GLOBAL OFFERING

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### Allocation

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: Pool A and Pool B (with any odd lots being allocated to pool A).

- **Pool A:** The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total price of HK\$5 million or less (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee).
- **Pool B:** The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total price of more than HK\$5 million and up to the total value of Pool B (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee).

For the purpose of the immediately preceding paragraph only, the “price” for the Hong Kong Offer Shares means the price payable on application. See the subsection headed “— Pricing — Price Payable on Application”.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 972,600 Hong Kong Offer Shares (being 50% of the H Shares initially made available under the Hong Kong Public Offering) will be rejected.

### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which



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## STRUCTURE OF THE GLOBAL OFFERING

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would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering when certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of the reallocation and assuming the Offer Size Adjustment Option is not exercised, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 5,835,400 Offer Shares (approximately 30% in the case of (a)), 7,780,600 Offer Shares (approximately 40% in the case of (b)) and 9,725,700 Offer Shares (approximately 50% in the case of (c)) (of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option)). In each case, the number of Offer Shares to be allocated to the International Offering will be correspondingly reduced and the additional Offer Shares will be allocated between Pool A and Pool B in such manner as the Sole Overall Coordinator deems appropriate.

The Sole Overall Coordinator may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B in accordance with the guidance in Chapter 4.14 of the Guide for New Listing Applicants as follows:

If: (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 1,945,200 Offer Shares (assuming the Offer Size Adjustment Option is not exercised) may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering following such reallocation will be increased to 3,890,300 Offer Shares (assuming the Offer Size Adjustment Option is not exercised), representing twice the number of the Offer Shares initially available under the Hong Kong Public Offering.

In addition, the Sole Overall Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, in such proportions as the Sole Overall Coordinator may, in its sole and absolute discretion, determine.

If the Hong Kong Public Offering is not fully subscribed, the Sole Overall Coordinator may reallocate all or some unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator may, in its sole and absolute discretion, determine.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Applications**

Each applicant under the Hong Kong Public Offering must give an undertaking and confirmation in the application submitted by that applicant that he/she/it and any person(s) for whose benefit the applicant is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and that applicant's application is liable to be rejected if either or both of the undertaking and confirmation are breached or untrue (as the case may be) or the applicant has been or will be placed or allocated International Offer Shares under the International Offering.

### **THE INTERNATIONAL OFFERING**

#### **Number of H Shares Initially Offered**

We are initially offering 17,506,100 H Shares at the Offer Price for subscription or sale under the International Offering, representing approximately 90.0% of the 19,451,300 H Shares initially made available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the International Offering will represent approximately 10.8% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

#### **Allocation**

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire. This process, known as "book-building", is expected to continue up to, but to cease on or around, the last day for the making of applications under the Hong Kong Public Offering. Allocation of Offer Shares under the International Offering will be effected in accordance with such "book-building" process and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that that investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. This basis of

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## STRUCTURE OF THE GLOBAL OFFERING

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allocation is intended to result in a distribution of the Offer Shares which is likely to lead to the establishment of a solid and stable professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Sole Overall Coordinator (on behalf of the Underwriters) may require an investor who has been offered (or has indicated an interest for) Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement and/or any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering as described in the subsection headed “— The Hong Kong Public Offering — Reallocation”, the exercise of the Offer Size Adjustment Option in whole or in part as described in the subsection headed “— Offer Size Adjustment Option” and the exercise of the Over-allotment Option in whole or in part as described in the subsection headed “— Over-allotment Option”.

### **PRICING**

#### **Offer Price**

The Offer Price will be HK\$40.50 per H Share unless otherwise announced, as explained below.

#### **Price Payable on Application**

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channel), the Offer Price per Hong Kong Offer Share plus the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$4,090.85 for one board lot of 100 H Shares.

#### **Reduction in Offer Price and/or Number of Offer Shares**

The Sole Overall Coordinator (on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the Offer Price and/or the number of Offer Shares below that stated in this prospectus at any time on or before the morning of the last day for making applications under the Hong Kong Public Offering. In this case, we will as soon as practicable after the decision to make the reduction (and no later than the morning of the last day for making applications under the Hong Kong Public Offering) publish on the website of

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## STRUCTURE OF THE GLOBAL OFFERING

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the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com) notice of the reduction, the cancellation of the Global Offering and the relaunch of the Global Offering at the revised number of Offer Shares and/or the revised Offer Price. This notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as set out in this prospectus, as well as any other financial information which may change as a result of the reduction.

We will, as soon as practicable following the decision to make the reduction, in addition to publishing the notice, issue a supplemental prospectus containing details in relation to the change in the number of Offer Shares being offered and/or the Offer Price. The Global Offering will be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before making applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for making applications under the Hong Kong Public Offering.

In the absence of a notice of reduction, the number of Offer Shares and the Offer Price will not be reduced.

### **Announcement of the Basis of Allocations**

The level of applications in the Hong Kong Public Offering, level of indications of interest in the International Offering, and basis of allocations of the Hong Kong Offer Shares are expected to be made available through a variety of channels in the manner described in the subsection headed “How to Apply for Hong Kong Offer Shares — Publication of Results”.

### **OVER-ALLOCATION**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover the over-allocation by exercising the Over-allotment Option in full or in part, or by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

### **OFFER SIZE ADJUSTMENT OPTION**

As part of the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Sole Overall Coordinator prior to the execution of the International Underwriting Agreement and will expire upon execution of the International Underwriting Agreement.

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## STRUCTURE OF THE GLOBAL OFFERING

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Under the Offer Size Adjustment Option, the Company may issue any number of H Shares up to an aggregate of 2,917,600 additional Offer Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the reallocation arrangement described in the subsection headed “— The Hong Kong Public Offering — Reallocation” and the Sole Overall Coordinator shall allocate additional new H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 1.77% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the exercise of the Offer Size Adjustment Option.

The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

<b>Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option</b>	<b>Approximate percentage of total issued share capital of the Offer Shares initially offered before the exercise of the Offer Size Adjustment Option</b>	<b>Number of H Shares issued under the Global Offering after the full exercise of the Offer Size Adjustment Option</b>	<b>Approximate percentage of total issued share capital of the Offer Shares initially offered after the full exercise of the Offer Size Adjustment Option</b>
<u>19,451,300</u>	<u>12.0%</u>	<u>22,368,900</u>	<u>11.8%</u>

The Offer Size Adjustment Option will not be used for price stabilisation purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilisation) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or confirm that if the Offer Size Adjustment Option has not been exercised prior to the execution of the International Underwriting Agreement which is expected to be on or before Wednesday, June 26, 2024, it will lapse and cannot be exercised at any future date.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, we may grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator in its sole and absolute discretion on behalf of the International Underwriters.

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## STRUCTURE OF THE GLOBAL OFFERING

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Pursuant to the Over-allotment Option (if granted), the International Underwriters have the right, exercisable by the Sole Overall Coordinator (in its sole and absolute discretion on behalf of the International Underwriters) at any time from the Listing Date until 30 days from the last day for the making of applications under the Hong Kong Public Offering (being the last day for the exercise of the Over-allotment Option, which is Thursday, July 25, 2024), to require us to allot and issue up to 2,917,600 additional Offer Shares (representing not more than 15% of the total number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 3,355,300 additional H Shares (representing approximately 15% of the total number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price, to cover over-allocations in the International Offering.

If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.8% of the total number of shares in issue immediately following completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option and the Offer Size Adjustment Option are exercised in full, the additional Offer Shares will represent approximately 2.0% of the total number of shares in issue immediately following completion of the Global Offering and the exercise of the Over-allotment Option. We will make an announcement if the Over-allotment Option is exercised.

### OFFER SIZE

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner:

The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering will be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See “— The Hong Kong Public Offering — Reallocation” above for details.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering on a post-reallocation basis. The Offer Size Adjustment Option will lapse if it is not exercised prior to the execution of the International Underwriting Agreement. See “— Offer Size Adjustment Option” above for details.

The number of Offer Shares to be made available under the International Offering may be further increased if the Over-allotment Option is exercised. The maximum number of additional International Offer Shares to be offered pursuant to the exercise of the Over-allotment Option will represent approximately 15% of the number of Offer Shares being offered under the Global Offering (including the Offer Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any). See “— Over-allotment Option” above for details.

## STRUCTURE OF THE GLOBAL OFFERING

The table below sets out a summary of the total number of Hong Kong Offer Shares and International Offer Shares being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” above occurs and (b) whether any of the Offer Size Adjustment Option and the Over-allotment Option is exercised at all and/or in full.

	No clawback reallocation	30% clawback reallocation	40% clawback reallocation	50% clawback reallocation
Total number of Offer Shares before the exercise of the Offer Size Adjustment Option and the Over-allotment Option . . . . .	1,945,200 Hong Kong Offer Shares	5,835,400 Hong Kong Offer Shares	7,780,600 Hong Kong Offer Shares	9,725,700 Hong Kong Offer Shares
Total number of Offer Shares following the full exercise of the Offer Size Adjustment Option only (assuming the Over-allotment Option is not exercised) . . . . .	17,506,100 International Offer Shares	13,615,900 International Offer Shares	11,670,700 International Offer Shares	9,725,600 International Offer Shares
Total number of Offer Shares following the exercise of the Over-allotment Option (assuming the Offer Size Adjustment Option is not exercised) . . . . .	2,236,900 Hong Kong Offer Shares	6,710,700 Hong Kong Offer Shares	8,947,600 Hong Kong Offer Shares	11,184,500 Hong Kong Offer Shares
Total number of Offer Shares following the exercise of the Offer Size Adjustment Option and the Over-allotment Option (assuming the Offer Size Adjustment Option is not exercised) . . . . .	20,132,000 International Offer Shares	15,658,200 International Offer Shares	13,421,300 International Offer Shares	11,184,400 International Offer Shares
Total number of Offer Shares following the exercise of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) . . . . .	1,945,200 Hong Kong Offer Shares	5,835,400 Hong Kong Offer Shares	7,780,600 Hong Kong Offer Shares	9,725,700 Hong Kong Offer Shares
Total number of Offer Shares following the exercise of the Over-allotment Option (assuming the Offer Size Adjustment Option is not exercised) . . . . .	20,423,700 International Offer Shares	16,533,500 International Offer Shares	14,588,300 International Offer Shares	12,643,200 International Offer Shares
Total number of Offer Shares following the full exercise of both the Offer Size Adjustment Option and the Over-allotment Option . . . . .	2,236,900 Hong Kong Offer Shares	6,710,700 Hong Kong Offer Shares	8,947,600 Hong Kong Offer Shares	11,184,500 Hong Kong Offer Shares
Total number of Offer Shares following the full exercise of both the Offer Size Adjustment Option and the Over-allotment Option (assuming the Offer Size Adjustment Option is not exercised) . . . . .	23,487,300 International Offer Shares	19,013,500 International Offer Shares	16,776,600 International Offer Shares	14,539,700 International Offer Shares



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## STRUCTURE OF THE GLOBAL OFFERING

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### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent a decline in the market price of the securities below the Offering Price. These transactions may be effected in jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws and regulatory requirements, including those in Hong Kong. In Hong Kong, the price at which stabilization is effected cannot exceed the offer price of shares.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilizing Manager to conduct any stabilizing activity. Stabilizing actions, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as being in our best interest, (b) may be discontinued at any time and (c) is required to end within 30 days of the last day for making applications under the Hong Kong Public Offering.

Stabilizing activities permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of our H Shares, (b) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our H Shares, (c) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b), (d) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (e) selling or agreeing to sell our H Shares to liquidate a long position held as a result of those purchases and (f) offering or attempting to do anything described in (b), (c), (d) or (e).

Specifically, applicants for and investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager (or any person acting for it) may maintain a long position in our H Shares;
- (b) the size of the long position, and the period for which the Stabilizing Manager (or any person acting for it) will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;
- (c) liquidation of any long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of our H Shares;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (d) stabilizing action by the Stabilizing Manager (or any person acting for it) is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the Listing Day and ends on Thursday, July 25, 2024 (being the 30th day after the last day for making applications under the Hong Kong Public Offering). As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period;
- (e) stabilizing activities by the Stabilizing Manager (or any person acting for it) may stabilize, maintain or otherwise affect the market price of our H Shares. This means the price of our H Shares may be higher than the price that otherwise might exist in the open market;
- (f) there is no assurance that the price of our H Shares can stay at or above the Offer Price by the taking of any stabilizing action either during or after the stabilizing period; and
- (g) bids for or market purchases of our H Shares by the Stabilizing Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

In order to effect stabilization actions, the Stabilizing Manager may arrange cover of up to an aggregate of 2,917,600 H Shares (representing up to 15% of the total number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 3,355,300 H Shares (representing approximately 15% of the total number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full), through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on or before the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

We will make an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) within seven days of the expiration of the stabilizing period.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and the H Shares to be converted from Unlisted Shares on the Main Board of the Hong Kong Stock Exchange as described in this prospectus and the approval not having been withdrawn, canceled or revoked;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (b) the execution and delivery of the International Underwriting Agreement; and
- (c) the obligations of the Underwriters under both the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than Friday, June 28, 2024.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived before the dates and times specified, the Global Offering will not proceed and will lapse, and the Hong Kong Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com) on the next Business Day following the lapse. In this case, all application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies”. In the meantime, the application monies will be held in separate accounts with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares are expected to be issued on Thursday, June 27, 2024, but they will only become valid evidence of title at 8:00 a.m. on Friday, June 28, 2024, provided the Global Offering has become unconditional in all respects at or before that time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 28, 2024, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, June 28, 2024.

Our H Shares will be traded in board lots of 100 H Shares each and the stock code of our H Shares will be 6181.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at [www.lphj.com](http://www.lphj.com).

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### APPLICATIONS FOR THE HONG KONG OFFER SHARES

#### 1 Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address (for the **White Form eIPO** service only);
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person (except qualified domestic institutional investors) of the People’s Republic of China.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing holder or beneficial owner of our Shares and/or a substantial shareholder of any of our subsidiaries;
- are our director, supervisor or chief executive officer of ours and/or any of our subsidiaries;
- are a close associate of any of the above persons;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- are our connected person or will become our connected person immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 2 Application Channels

**The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, June 20, 2024 and end at 12:00 noon on Tuesday, June 25, 2024 (Hong Kong time).**

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
<b>White Form eIPO service</b> . . . . .	<a href="http://www.eipo.com.hk">www.eipo.com.hk</a>	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, June 20, 2024 to 11:30 a.m., Tuesday, June 25, 2024, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, June 25, 2024, Hong Kong time.
<b>HKSCC EIPO channel</b> . . . . .	Your broker or custodian who is an HKSCC Participant will submit <b>electronic application instructions</b> on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

Only one application may be made for the benefit of any person. If you are suspected of making more than one application through the **White Form eIPO** service or any other channel, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3 Information Required to Apply

You **must** provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
<ul style="list-style-type: none"><li>• Full name(s)<sup>2</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. HKID card; or</li><li>ii. National identification document; or</li><li>iii. Passport; and</li></ul></li><li>• Identity document number</li></ul>	<ul style="list-style-type: none"><li>• Full name(s)<sup>2</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. LEI registration document; or</li><li>ii. Certificate of incorporation; or</li><li>iii. Business registration certificate; or</li><li>iv. Other equivalent document; and</li></ul></li><li>• Identity document number</li></ul>

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*Notes:*

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at four in accordance with market practice.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

#### 4 Permitted Number of Hong Kong Offer Shares for Application

**Board lot size** . . . . . : 100 H Shares

**Permitted Number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** . . . . . : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$40.50 per H Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application
	HK\$		HK\$		HK\$		HK\$
100	4,090.85	2,500	102,271.10	30,000	1,227,253.28	350,000	14,317,954.88
200	8,181.69	3,000	122,725.32	40,000	1,636,337.70	400,000	16,363,377.00
300	12,272.54	3,500	143,179.55	50,000	2,045,422.13	450,000	18,408,799.13
400	16,363.38	4,000	163,633.76	60,000	2,454,506.56	500,000	20,454,221.26
500	20,454.22	4,500	184,087.99	70,000	2,863,590.98	600,000	24,545,065.50
600	24,545.07	5,000	204,542.21	80,000	3,272,675.40	700,000	28,635,909.76
700	28,635.91	6,000	245,450.65	90,000	3,681,759.83	800,000	32,726,754.00
800	32,726.75	7,000	286,359.10	100,000	4,090,844.26	900,000	36,817,598.26
900	36,817.59	8,000	327,267.55	150,000	6,136,266.38	972,600 <sup>(1)</sup>	39,787,551.18
1,000	40,908.44	9,000	368,175.98	200,000	8,181,688.50		
1,500	61,362.66	10,000	409,084.43	250,000	10,227,110.63		
2,000	81,816.89	20,000	818,168.86	300,000	12,272,532.76		

*Notes:*

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5 Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— Applications for Hong Kong Offer Shares — Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

### 6 Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (a) undertake to execute all relevant documents and instruct and authorize us and/or the Sole Overall Coordinator (or its agents or nominees), as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (b) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** Service Provider (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (c) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (d) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (e) confirm that you have read this prospectus and any supplement to it and have only relied on the information and representations contained therein in making your application (or as the case may be, causing your application to be made), and will not rely on any other information or representations, except those contained in any supplement to this prospectus;
- (f) agree that none of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, receiving banks, the H Share Registrar, HKSCC, HKSCC Nominees, the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— Personal Data — Purposes” and “— Personal Data — Transfer of Personal Data” in this section;
- (h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (i) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— Publication of Results” in this section;
- (j) confirm that you are aware of the situations specified in the paragraph headed “— Circumstances in which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (k) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (l) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association, the PRC Companies Law and laws of any other place that apply to your application, and that

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

- (m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (n) warrant that the information you have provided is true and accurate;
- (o) confirm that you understand that we, our Directors and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (p) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (r) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (s) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor have participated in the International Offering;
- (t) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (u) (if you are making the application for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or through the **White Form eIPO** service or by any one as your agent or by any other person;
- (v) (if you are making the application as an agent for the benefit of another person) warrant that: (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving application instructions to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent; and
- (w) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all these laws and none of us nor any Relevant Person will breach any of these laws as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus.

### PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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Applying through **White Form eIPO** service or **HKSCC EIPO channel**:

Website . . . . .	The designated results of allocation at <b><u><a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a></u></b> (alternatively: <b><u><a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a></u></b> ) with a “search by ID” function.	24 hours, from 11:00 p.m., Thursday, June 27, 2024 to 12:00 midnight,
	The full list of (i) wholly or partially successful applicants using the <b>White Form eIPO</b> service and <b>HKSCC EIPO</b> channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the <b>White Form eIPO</b> service at <b><u><a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a></u></b> (alternatively: <b><u><a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a></u></b> ).	Wednesday, July 3, 2024 (Hong Kong time)

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Platform		Date/Time
	The Hong Kong Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="http://www.lphj.com">www.lphj.com</a> which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Thursday, June 27, 2024 (Hong Kong time)
Telephone . . . . .	+852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	Between 9:00 a.m. and 6:00 p.m., from Friday, June 28, 2024 to Thursday, July 4, 2024 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m., Wednesday, June 26, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m., Wednesday, June 26, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

### Allocation Announcement

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com) by no later than 11:00 p.m. on Thursday, June 27, 2024 (Hong Kong time).

### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which no Hong Kong Offer Shares will be allocated to you or the person(s) for whose benefit you are applying for:

#### 1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **2. If we or our agents exercise discretion to reject your application:**

We, the Sole Overall Coordinator, the H Share Registrar and our/their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

### **3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list our H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

### **4. If:**

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— Applications for the Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Sole Overall Coordinator believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations.

### **5. If there is money settlement failure for allotted H Shares:**

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank(s) will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

### **DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES**

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificate will be deposited into CCASS as described below).

We will not issue: (i) temporary document of title in respect of our H Shares; or (ii) receipt for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Friday, June 28, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
<b>Despatch/collection of H Share certificate</b>		
<b>For physical share certificates of 500,000 or more Offer Shares issued under your own name . . . . .</b>	<p>Collection in person from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.</p> <p><b>Time:</b> from 9:00 a.m. to 1:00 p.m. on Friday, June 28, 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.</p> <p><b>Note:</b> If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.</p>	<p>H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account.</p> <p>No action by you is required.</p>
<b>For physical share certificates of less than 500,000 Offer Shares issued under your own name . . . . .</b>	<p>Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.</p> <p><b>Time:</b> Thursday, June 27, 2024</p>	

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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White Form eIPO service

HKSCC EIPO channel

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### Refund mechanism for surplus application monies paid by you

<b>Date</b> . . . . .	Friday, June 28, 2024	Subject to the arrangement between you and your broker or custodian
<b>Responsible party</b> . . . . .	H Share Registrar	Your broker or custodian
<b>Application monies paid through single bank account</b> . . . . .	Any refund will be despatched to the bank account in the form of <b>White Form</b> e-Refund payment instructions	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
<b>Application monies paid through multiple bank accounts</b> . . . . .	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk	

Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— Severe Weather Arrangements” in this section.

### SEVERE WEATHER ARRANGEMENTS

#### The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, June 25, 2024 if, there is (are):

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

(collectively, “**Severe Weather Signals**”)

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 25, 2024.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have any of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.lphj.com](http://www.lphj.com) of the revised timetable.

If any of those warnings is hoisted on Thursday, June 27, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, June 28, 2024.

If any of those warnings is hoisted on Thursday, June 27, 2024, for physical share certificates of less than 500,000 Hong Kong Offer Shares issued under your own name which are initially scheduled for despatch on Thursday, June 27, 2024, despatch will be made by ordinary post when the post office re-opens after any of those warnings is lowered or canceled (e.g. in the afternoon of Thursday, June 27, 2024 or Friday, June 28, 2024).

If any of those warnings is hoisted on Friday, June 28, 2024, for physical share certificates of equal to or more than 500,000 Hong Kong Offer Shares issued under your own name which are initially scheduled for collection at the H Share Registrar’s office from 9:00 a.m. to 1:00 p.m. on Friday, June 28, 2024, you may pick them up from the H Share Registrar’s office after any of those warnings is lowered or canceled (e.g. in the afternoon of Friday, June 28, 2024 or Tuesday, July 2, 2024).

**Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.**

### ADMISSION OF OUR H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

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

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

### **PERSONAL DATA**

The following Personal Information Collection Statement applies to any personal data collected and held by us, the Relevant Persons, the H Share Registrar and the receiving banks about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### **Personal Information Collection Statement**

This Personal Information Collection Statement informs applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of ours and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **Reasons for the Collection of Your Personal Data**

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to us or our agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for the Hong Kong Offer Shares being rejected, or in the delay or the inability of us or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

#### **Purposes**

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of applicants for and holders of our H Shares and identifying any duplicate applications for our H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of our H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to applicants and holders of our H Shares and/or regulators and/or any other purposes to which the applicants and holders of the H Shares may from time to time agree.

### **Transfer of Personal Data**

Personal data held by us and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential, but we and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations including for the purpose of the Hong Kong Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

### **Retention of Personal Data**

We and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### **Access to and Correction of Personal Data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us and the H Share Registrar, at our and their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the H Share Registrar for the attention of the privacy compliance officer.

*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.*



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## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LAOPU GOLD CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED**

### **Introduction**

We report on the historical financial information of Laopu Gold Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-75, which comprises the consolidated statements of profit or loss and other 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-3 to I-75 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 June 2024 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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.

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-3 have been made.

#### *Dividends*

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*Certified Public Accountants*

Hong Kong

20 June 2024

**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.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
REVENUE . . . . .	5	1,264,603	1,294,220	3,179,564
Cost of sales . . . . .		(743,602)	(752,082)	(1,847,607)
Gross profit . . . . .		521,001	542,138	1,331,957
Other income and gains . . . . .	5	5,566	4,277	2,650
Selling and distribution expenses . . . . .		(262,435)	(297,177)	(579,347)
Administrative expenses . . . . .		(89,121)	(94,117)	(167,571)
Research and development expenses . . . . .		(8,411)	(8,525)	(10,720)
Other expenses, net . . . . .		(720)	(2,853)	(5,318)
Finance costs . . . . .	6	(11,671)	(16,973)	(18,182)
PROFIT BEFORE TAX . . . . .	7	154,209	126,770	553,469
Income tax expense . . . . .	10	(40,329)	(32,241)	(137,167)
PROFIT FOR THE YEAR . . . . .		<u>113,880</u>	<u>94,529</u>	<u>416,302</u>
Attributable to:				
Owners of the Company . . . . .		<u>113,880</u>	<u>94,529</u>	<u>416,302</u>
PROFIT FOR THE YEAR . . . . .		<u>113,880</u>	<u>94,529</u>	<u>416,302</u>
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations . . . . .		(718)	2,874	(839)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX . . . . .		(718)	2,874	(839)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR . . . . .		<u>113,162</u>	<u>97,403</u>	<u>415,463</u>
Attributable to:				
Owners of the Company . . . . .		<u>113,162</u>	<u>97,403</u>	<u>415,463</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted (RMB) . . . . .	12	<u>0.83</u>	<u>0.69</u>	<u>3.03</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment . . . . .	13	47,481	52,674	57,549
Right-of-use assets . . . . .	14(a)	173,262	195,726	252,219
Other intangible assets . . . . .	15	2,675	3,065	2,877
Deferred tax assets . . . . .	24	7,874	9,234	12,538
Prepayments, deposits and other assets . . . . .	18	14,798	25,531	57,528
Total non-current assets . . . . .		246,090	286,230	382,711
<b>CURRENT ASSETS</b>				
Inventories . . . . .	16	770,343	806,836	1,267,932
Trade receivables . . . . .	17	104,432	100,266	376,325
Prepayments, deposits and other assets . . . . .	18	22,915	37,598	61,741
Cash and cash equivalents . . . . .	19	25,190	60,282	69,838
Total current assets . . . . .		922,880	1,004,982	1,775,836
<b>CURRENT LIABILITIES</b>				
Trade payables . . . . .	20	7,089	5,105	57,662
Other payables and accruals . . . . .	21	67,862	63,798	140,090
Interest-bearing bank and other borrowings . . . . .	23	136,601	136,231	127,754
Contract liabilities . . . . .	22	5,630	8,819	27,766
Lease liabilities . . . . .	14(b)	45,824	71,512	101,394
Tax payable . . . . .		4,261	5,916	19,478
Total current liabilities . . . . .		267,267	291,381	474,144
NET CURRENT ASSETS . . . . .		655,613	713,601	1,301,692
TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .		901,703	999,831	1,684,403
<b>NON-CURRENT LIABILITIES</b>				
Deferred income . . . . .	25	568	893	1,150
Other payables and accruals . . . . .	21	1,794	2,184	2,418
Lease liabilities . . . . .	14(b)	129,029	127,185	165,419
Total non-current liabilities . . . . .		131,391	130,262	168,987
NET ASSETS . . . . .		770,312	869,569	1,515,416
<b>EQUITY</b>				
Equity attributable to owners of the Company . . . . .				
Share capital . . . . .	26	136,500	136,500	142,643
Reserves . . . . .	28	633,812	733,069	1,372,773
Total equity . . . . .		770,312	869,569	1,515,416

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Share- based payment reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 26)</i>	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 28)</i>		
At 1 January 2021 . . . . .	136,500	384,340	5,509	324	18,701	107,518	652,892
Profit for the year . . . . .	-	-	-	-	-	113,880	113,880
Other comprehensive loss for the year:							
Exchange differences on translation of the Company's financial statements . . . . .	-	-	-	(718)	-	-	(718)
Total comprehensive income/(loss) for the year . . .	-	-	-	(718)	-	113,880	113,162
Transfer from retained profits . .	-	-	-	-	10,826	(10,826)	-
Share-based payments . . . . .	-	-	4,258	-	-	-	4,258
At 31 December 2021 . . . . .	<u>136,500</u>	<u>384,340</u>	<u>9,767</u>	<u>(394)</u>	<u>29,527</u>	<u>210,572</u>	<u>770,312</u>
At 1 January 2022 . . . . .	136,500	384,340	9,767	(394)	29,527	210,572	770,312
Profit for the year . . . . .	-	-	-	-	-	94,529	94,529
Other comprehensive income for the year:							
Exchange differences on translation of the Company's financial statements . . . . .	-	-	-	2,874	-	-	2,874
Total comprehensive income for the year . . . . .	-	-	-	2,874	-	94,529	97,403
Transfer from retained profits . .	-	-	-	-	8,819	(8,819)	-
Share-based payments . . . . .	-	-	1,854	-	-	-	1,854
At 31 December 2022 . . . . .	<u>136,500</u>	<u>384,340</u>	<u>11,621</u>	<u>2,480</u>	<u>38,346</u>	<u>296,282</u>	<u>869,569</u>



	Share capital	Share premium*	Share- based payment reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 26)</i>	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 28)</i>		
As at 1 January 2023 . . . . .	136,500	384,340	11,621	2,480	38,346	296,282	869,569
Profit for the year . . . . .	-	-	-	-	-	416,302	416,302
Other comprehensive income for the year:							
Exchange differences on translation of the Company's financial statements . . . . .	-	-	-	(839)	-	-	(839)
Total comprehensive income for the year . . . . .	-	-	-	(839)	-	416,302	415,463
Issuance of ordinary shares . . .	6,143	218,858	-	-	-	-	225,001
Share issue expenses . . . . .	-	(3,250)	-	-	-	-	(3,250)
Transfer from retained profits . .	-	-	-	-	37,715	(37,715)	-
Share-based payments . . . . .	-	-	8,633	-	-	-	8,633
At 31 December 2023 . . . . .	<u>142,643</u>	<u>599,948</u>	<u>20,254</u>	<u>1,641</u>	<u>76,061</u>	<u>674,869</u>	<u>1,515,416</u>

\* These reserve accounts comprise the consolidated reserves of RMB633,812,000, RMB733,069,000 and RMB1,372,773,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax . . . . .		154,209	126,770	553,469
Adjustments for:				
Interest income . . . . .	5	(123)	(168)	(350)
Finance costs . . . . .	6	11,671	16,973	18,182
Gain on disposals of property, plant and equipment and other assets . . . . .		(126)	(371)	(126)
Loss on disposals of property, plant and equipment and other assets . . . . .		136	1,671	447
Impairment of property, plant and equipment and other assets . . . . .		–	631	–
Impairment/(reversal of impairment) of trade receivables . . . . .	17	490	(194)	3,536
Impairment of prepayments, deposits and other assets . . . . .	18	93	409	1,238
Write-down of inventories to net realisable value. . . . .	16	55	514	1,745
Depreciation of property, plant and equipment. . . . .	13	12,810	20,466	25,600
Depreciation of right-of-use assets . . . . .	14(a)	45,349	60,193	91,407
Amortisation of other intangible assets and other assets . . . . .		3,312	2,565	2,760
Covid-19-related rent concession from a lessor . . . . .	14(b)	(97)	(3,282)	–
Government grants released . . . . .	25	(82)	(352)	(555)
Equity-settled share-based payments . . . . .	27	4,258	1,854	8,633
		<u>231,955</u>	<u>227,679</u>	<u>705,986</u>
Increase in inventories. . . . .		(89,919)	(34,783)	(461,888)
(Increase)/decrease in trade receivables . . . . .		(27,702)	4,368	(279,570)
Decrease/(increase) in prepayments, deposits and other receivables . . . . .		15,214	(19,691)	(21,136)
(Decrease)/increase in trade payables . . . . .		(6,837)	(1,984)	52,469
Increase in other payables and accruals . . . . .		24,489	820	81,743
Increase in contract liabilities . . . . .		2,625	3,190	18,947
Increase in deferred income. . . . .		–	677	812
		<u>–</u>	<u>677</u>	<u>812</u>

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cash generated from operations . . . . .		149,825	180,276	97,363
Interest received . . . . .		123	168	350
Income tax paid . . . . .		(47,702)	(31,946)	(126,909)
Net cash flows from/(used in) operating activities . . . . .		102,246	148,498	(29,196)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of items of property, plant and equipment and other assets . . . . .		239	20	323
Purchases of items of property, plant and equipment and other assets . . . .		(31,188)	(34,603)	(59,541)
Net cash flows used in investing activities . . . . .		(30,949)	(34,583)	(59,218)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from issuance of ordinary shares . . . . .		–	–	221,751
New bank and other borrowings . . . .		199,093	183,410	127,037
Repayment of bank and other borrowings . . . . .		(198,950)	(185,750)	(138,000)
Cash received from lease deposits . . . .		3,675	166	1,242
Payment of lease deposits . . . . .		(5,156)	(7,901)	(17,646)
Payments of lease liabilities . . . . .	14(b)	(48,711)	(63,277)	(89,690)
Interest paid . . . . .		(5,635)	(5,916)	(5,721)
Net cash flows from/(used in) financing activities . . . . .		(55,684)	(79,268)	98,973
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>				
Cash and cash equivalents at beginning of the year . . . . .		9,719	25,190	60,282
Effect of foreign exchange rate changes, net . . . . .		(142)	445	(1,003)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR . . . . .</b>	19	<u>25,190</u>	<u>60,282</u>	<u>69,838</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 . . . . .	19	<u>25,190</u>	<u>60,282</u>	<u>69,838</u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Investments in subsidiaries . . . . .	1	135,565	135,679	243,403
Property, plant and equipment . . . . .	13	17,260	26,917	32,161
Right-of-use assets . . . . .	14(a)	158,929	172,696	179,881
Other intangible assets . . . . .	15	2,662	3,055	2,835
Deferred tax assets . . . . .	24	1,378	1,240	3,468
Prepayments, deposits and other assets . . . . .	18	11,814	22,598	15,725
Total non-current assets . . . . .		327,608	362,185	477,473
<b>CURRENT ASSETS</b>				
Inventories . . . . .	16	771,716	774,431	1,096,075
Trade receivables . . . . .	17	104,190	100,006	372,870
Amounts due from a subsidiary . . . . .	33	–	12	36
Prepayments, deposits and other assets . . . . .	18	20,966	35,250	55,295
Cash and cash equivalents . . . . .	19	16,839	56,061	41,311
Total current assets . . . . .		913,711	965,760	1,565,587
<b>CURRENT LIABILITIES</b>				
Trade payables . . . . .	20	6,444	3,852	52,128
Amounts due to a subsidiary . . . . .	33	125,217	95,844	48,099
Other payables and accruals . . . . .	21	55,359	57,118	126,541
Interest-bearing bank and other borrowings . . . . .	23	123,582	131,225	127,754
Contract liabilities . . . . .	22	5,466	8,639	27,575
Lease liabilities . . . . .	14(b)	40,859	61,893	72,025
Tax payable . . . . .		3,689	4,424	13,958
Total current liabilities . . . . .		360,616	362,995	468,080
NET CURRENT ASSETS . . . . .		553,095	602,765	1,097,507
TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .		880,703	964,950	1,574,980

		As at 31 December		
	<i>Notes</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>				
Other payables and accruals . . . . .	21	1,794	2,184	2,262
Lease liabilities . . . . .	14(b)	118,588	112,401	114,819
Total non-current liabilities . . . . .		<u>120,382</u>	<u>114,585</u>	<u>117,081</u>
NET ASSETS . . . . .		<u>760,321</u>	<u>850,365</u>	<u>1,457,899</u>
<b>EQUITY</b>				
Share capital . . . . .	26	136,500	136,500	142,643
Reserves . . . . .	28	623,821	713,865	1,315,256
Total equity . . . . .		<u>760,321</u>	<u>850,365</u>	<u>1,457,899</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

Laopu Gold 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 Rooms 3-6, 6/F, No. 3 West Building, The Towers at Oriental Plaza, No. 1 Dong Chang’an Avenue, Dongcheng District, Beijing, PRC.

During the Relevant Periods, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) were manufacture and sale of jewellery, provision of maintenance and repair services.

At the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, the Group’s subsidiary registered in the PRC is limited liability company while others (incorporated in Hong Kong and Macau) are private limited liability companies, which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yueyang Laopu Gold Filigree Handcraft Co., Ltd. 岳陽老鋪黃金花絲工藝有限公司* (note a) . . .	PRC/Chinese Mainland 28 March 2018	RMB100,000,000	100%	–	Manufacture and sale of jewellery
LAO PU (HONG KONG) Co., Ltd. 老鋪黃金(香港)有限公司 (note b) .	Hong Kong, 2 January 2018	HKD180,000,000	100%	–	Sale of jewellery
LAOPU (MACAU) Co., Ltd. 老鋪黃金(澳門)一人有限公司 (note a) . .	Macau, 17 September 2019	MOP5,000,000	–	100%	Sale of jewellery

\* The English name of this entity registered in the PRC represents the best efforts made by the management of the Company to directly translate its Chinese names as it does not register any official English name.

## Notes:

- No audited financial statements have been prepared for these entities for the Relevant Periods.
- The statutory financial statements of the entity for the year ended 31 December 2021 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong while the statutory financial statements of the entity for the year ended 31 December 2022 were audited by Ernst & Young, Certified Public Accountants, Hong Kong. No audited financial statements have been prepared for the entity for the year ended 31 December 2023.

## Company

The carrying amounts of the Company’s investments in subsidiaries:

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investments, at cost . . . . .	135,565	135,679	243,403

## 2. ACCOUNTING POLICIES

### 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.

#### Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries 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 information 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.

### 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised IFRSs, 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</i> <sup>1</sup>
Amendments to IFRS 16 . . . . .	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
Amendments to IAS 1 . . . . .	<i>Classification of Liabilities as Current or Non-current</i> <sup>2</sup>
Amendments to IAS 1 . . . . .	<i>Non-current Liabilities with Covenants</i> <sup>2</sup>



Amendments to IAS 7 and IFRS 7 . . . . .	<i>Supplier Finance Arrangements</i> <sup>2</sup>
Amendments to IAS 21 . . . . .	<i>Lack of Exchangeability</i> <sup>3</sup>
IFRS 18 . . . . .	<i>Presentation and Disclosure in Financial Statement</i> <sup>4</sup>

<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 2027

The Group is in the process of making a detailed assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that these revised IFRSs 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 initial application.

## 2.3 MATERIAL ACCOUNTING POLICIES

### Investments in subsidiaries

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less any impairment losses unless the investment is 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

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.

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 a non-financial asset is required (other than inventories, 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

- (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;
  - (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 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 shorter of the lease terms and 33%
Furniture, fixtures and equipment . . . . .	20% to 33%
Devices and equipment . . . . .	20% to 33%
Motor vehicles . . . . .	25%
Plant and machinery . . . . .	10%

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.

**Other intangible assets**

Other 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.

Other intangible assets are amortised on the straight-line basis over the following useful economic lives:

Trademark . . . . .	5 to 10 years
Software . . . . .	3 to 10 years
Others . . . . .	3 to 10 years

The length of useful life of an intangible asset is determined in accordance with the shorter of period between the period during which such an asset is expected to bring economic benefits to the Group and the legal life according to laws and regulations of the trademark, patents and copyrights.

**Research and development expenses**

All research and development expenses 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 of the underlying assets 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:

Office premises and buildings . . . . .	1 year to 10 years
Stores . . . . .	1 year to 10 years

*(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 terminating 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 the incremental borrowing rate at the lease commencement date if 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), a change in the lease term or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position and statement of financial position of the Company.

*(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 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.

**Investments and other financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value designated 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.

In order for a financial asset (debt instrument) 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 of financial assets***

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 profit or loss when the asset is derecognised, modified or impaired.

#### **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.

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.

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                          |

**Simplified approach**

For trade receivables that do not contain a significant financing component or when the Group/Company 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/Company 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 financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, 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***

After initial recognition, financial liabilities 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 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 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 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 the estimated selling prices less any estimated costs to be incurred to completion and disposal.

***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.

***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 periods, 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 with certain exceptions.



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, associates and joint ventures, 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.

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 each 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) Sale of goods*

The Group operates a chain of self-operated boutiques and online platform selling jewellery products. Revenue from the sales of goods is recognised at the point in time when product is transferred to the customer who takes delivery in store or sent to the address specified by the consumers.

*(b) Maintenance and repair services*

Revenue from maintenance and repair services is recognised at a point in time when the service is provided to the customer.

**Other income**

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of 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 Group operates the stock incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 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 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.

### **Employee retirement benefits**

#### *Pension schemes*

The Group participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees of the Group’s subsidiary in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. Contributions are made based on a percentage of the employees’ relevant income and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company and its subsidiary which operates in Chinese Mainland are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions. The contributions made by the Group are charged to profit or loss as they became payable in accordance with the rule of the retirement plan.

### **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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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.

### **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 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 weighted average exchange rates for the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated 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 weighted average exchange rates for the year.

### 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 goods 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 distribution expenses".

#### ***Significant judgement in determining the lease term of contracts with renewal options***

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

#### ***Recognition of income taxes and deferred tax assets***

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible

temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **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 accounts receivable. The provision rates are based on days past due 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 accounts receivable is disclosed in note 17 to Historical Financial Information.

#### ***Provision for expected credit losses on other financial assets***

The measurement of expected losses on other financial assets requires judgement including, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. The carrying amounts of other financial assets at amortised cost are given in note 34 to the consolidated financial statements.

#### ***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 16 to the consolidated financial statements.

#### ***Impairment of long term non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for long term non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Accrual of restoration obligation***

The Group as the lessee bears the obligation to restore the leased assets to the state agreed upon in the lease terms in accordance with the lease contract. The group estimates the estimated liabilities formed by fulfilling restoration obligations based on industry conditions and historical experience. At the end of the reporting period, the Group reviews the value of the estimated liabilities and makes appropriate adjustments to reflect the current best estimate.

***Share-based payment***

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 difference 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 24 to the consolidated financial statements.

***Leases — Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand alone credit rating).

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is not organised into business units based on their service and products 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**

Major operating entities are domiciled in the PRC. Most of the revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. 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.

## 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>			
Sales of goods . . . . .	1,264,507	1,294,076	3,179,188
Maintenance and repair services . . . . .	96	144	376
Total revenue from contracts with customers. . . . .	<u>1,264,603</u>	<u>1,294,220</u>	<u>3,179,564</u>
<b>Geographical markets</b>			
Chinese Mainland . . . . .	1,251,132	1,271,551	3,024,502
Hong Kong and Macau. . . . .	13,471	22,669	155,062
Total revenue from contracts with customers. . . . .	<u>1,264,603</u>	<u>1,294,220</u>	<u>3,179,564</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time . . . . .	1,264,507	1,294,076	3,179,188
Service transferred at a point in time . . . . .	96	144	376
Total . . . . .	<u>1,264,603</u>	<u>1,294,220</u>	<u>3,179,564</u>
<b>Types of goods or services</b>			
Pure gold jewelry . . . . .	655,375	661,002	1,394,282
Gem-set jewelry . . . . .	603,061	629,528	1,780,658
Others . . . . .	6,167	3,690	4,624
Total . . . . .	<u>1,264,603</u>	<u>1,294,220</u>	<u>3,179,564</u>

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
Sales of goods . . . . .	<u>3,008</u>	<u>5,630</u>	<u>8,819</u>



(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

## Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is mainly on cash and credit card settlement under self-operated model. With respect to the collection by shopping malls of retail payment from customer would be made to the company within 30 or 60 days.

## Maintenance and repair services

The performance obligation is satisfied as services are rendered and payment is received upon the completion of services.

As the original expected duration of the contracts from customers of the Group are within one year or less., the Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation.

**Other income and gains**

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other income			
Interest income . . . . .	123	168	350
Government grants* . . . . .	4,543	3,047	1,016
Others . . . . .	329	202	254
	<u>4,995</u>	<u>3,417</u>	<u>1,620</u>
Gains			
Foreign exchange differences . . . . .	30	73	560
Gain on disposal of items of property, plant and equipment and other assets . . . . .	126	371	126
Others . . . . .	415	416	344
	<u>571</u>	<u>860</u>	<u>1,030</u>
Total . . . . .	<u><u>5,566</u></u>	<u><u>4,277</u></u>	<u><u>2,650</u></u>

\* Government grants have been received from local government authorities as subsidies to the Group, which mainly represent the subsidies related to the operating activities and initial public offerings. Except for the lease term, there were no unfulfilled conditions or contingencies relating to these grants.

**6. FINANCE COSTS**

An analysis of finance costs is as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings . . . . .	7,596	7,737	7,661
Interest on lease liabilities . . . . .	3,993	9,148	10,415
Others . . . . .	82	88	106
Total . . . . .	<u><u>11,671</u></u>	<u><u>16,973</u></u>	<u><u>18,182</u></u>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cost of inventories sold*		743,602	752,082	1,847,607
Depreciation of property, plant and equipment**	13	12,810	20,466	25,600
Depreciation of right-of-use assets**	14(a)	45,349	60,193	91,407
Amortisation of intangible assets and other assets		3,312	2,565	2,760
Lease payments not included in the measurement of lease liabilities	14(c)	90,617	75,437	196,427
Covid-19-related rent concessions from lessors	14(c)	(97)	(3,282)	–
Gain on disposals of property, plant and equipment and other assets***		(126)	(371)	(126)
Loss on disposals of property, plant and equipment and other assets***		136	1,671	447
Expenses related to previous A-share listing attempt****		6,120	8,327	10,953
Listing expense****		–	–	13,758
Equity-settled share-based payments		4,258	1,854	8,633
Employee benefit expenses (excluding directors' and supervisors' remunerations in note 8):				
Wages and salaries		152,530	176,479	276,029
Pension scheme contributions (defined contribution schemes)		11,405	16,093	19,268
Impairment of property, plant and equipment and other assets***		–	631	–
Impairment/(reversal of impairment) of trade receivables***	17	490	(194)	3,536
Impairment of prepayments, deposits and other assets***	18	93	409	1,238

\* The amounts disclosed for cost of inventories sold included write-down of inventories to net realisable value.

\*\* The depreciation of property, plant and equipment and right-of-use assets is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in profit or loss, respectively.

\*\*\* The amounts are included in "Other income and gains" and "Other expense" in profit or loss.

\*\*\*\* The amounts are included in "Administrative expenses" in profit or loss.

## 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 . . . . .	480	480	526
Salaries, allowances and benefits in kind . . . . .	8,662	7,252	11,636
Pension scheme contributions . . . . .	318	348	378
Equity-settled share-based payments . . . . .	226	227	227
	<u>9,686</u>	<u>8,307</u>	<u>12,767</u>

## (a) Non-executive directors and independent non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2021</b>					
Independent non-executive directors:					
Mr. Yang Shizhong* . . . . .	240	–	–	–	240
Ms. Jin Xin* . . . . .	240	–	–	–	240
	<u>480</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>480</u>
<b>Year ended 31 December 2022</b>					
Independent non-executive directors:					
Mr. Yang Shizhong* . . . . .	240	–	–	–	240
Ms. Jin Xin* . . . . .	240	–	–	–	240
	<u>480</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>480</u>
<b>Year ended 31 December 2023</b>					
Independent non-executive directors:					
Mr. Yang Shizhong* . . . . .	190	–	–	–	190
Ms. Jin Xin* . . . . .	199	–	–	–	199
Ms. He Yurun* . . . . .	62	–	–	–	62
Mr. Sun Yijun* . . . . .	75	–	–	–	75
	<u>526</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>526</u>

\* Mr. Yang Shizhong resigned as the independent non-executive director of the Company on October 15, 2023 due to physical reasons and Ms. Jin Xin resigned as the independent non-executive director of the Company on October 29, 2023 due to the potential impact of Stock Exchange's investigation on her.

Mr. Sun Yijun was appointed as the independent non-executive director of the Company on October 16, 2023 and Ms. He Yurun was appointed as the independent non-executive director of the Company on October 30, 2023.

There were no other emoluments payable to the non-executive directors during each of the Relevant Periods.

## (b) Executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>					
Executive directors:					
Mr. Xu Gaoming (Chief executive) . . . . .	–	2,086	53	–	2,139
Mr. Feng Jianjun . . . . .	–	1,250	53	65	1,368
Mr. Xu Rui . . . . .	–	1,728	53	60	1,841
	–	5,064	159	125	5,348
<b>Year ended 31 December 2022</b>					
Executive directors:					
Mr. Xu Gaoming (Chief executive) . . . . .	–	1,991	58	–	2,049
Mr. Feng Jianjun . . . . .	–	1,125	58	65	1,248
Mr. Xu Rui . . . . .	–	1,497	58	60	1,615
	–	4,613	174	125	4,912
<b>Year ended 31 December 2023</b>					
Executive directors:					
Mr. Xu Gaoming (Chief executive) . . . . .	–	4,009	63	–	4,072
Mr. Feng Jianjun . . . . .	–	2,000	63	65	2,128
Mr. Xu Rui . . . . .	–	2,282	63	60	2,405
	–	8,291	189	125	8,605

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## (c) Supervisors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>					
Ms. Peng Liuhua . . . . .	–	1,092	53	43	1,188
Ms. Xiao Yanhui . . . . .	–	1,097	53	48	1,198
Mr. Sui Wu* . . . . .	–	236	18	10	264
Ms. Zhang Tao* . . . . .	–	1,173	35	–	1,208
	–	3,598	159	101	3,858
<b>Year ended 31 December 2022</b>					
Ms. Peng Liuhua . . . . .	–	1,003	58	43	1,104
Ms. Xiao Yanhui . . . . .	–	983	58	48	1,089
Mr. Sui Wu* . . . . .	–	653	58	11	722
	–	2,639	174	102	2,915

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2023</b>					
Ms. Peng Liuhua . . . . .	–	1,283	63	43	1,389
Ms. Xiao Yanhui . . . . .	–	1,282	63	48	1,393
Mr. Sui Wu* . . . . .	–	780	63	11	854
	<u>–</u>	<u>3,345</u>	<u>189</u>	<u>102</u>	<u>3,636</u>

\* Ms. Zhang Tao resigned as the chairman of the Company's board of supervisors in September 2021 and Mr. Sui Wu was appointed as a supervisor of the Group in September 2021.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the Relevant Periods 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	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind . . . . .	5,385	5,409	9,599
Pension scheme contributions . . . . .	106	116	126
Equity-settled share-based payments . . . . .	366	446	412
	<u>5,857</u>	<u>5,971</u>	<u>10,137</u>

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
HK\$2,000,001 to HK\$2,500,000 . . . . .	3	2	1
HK\$2,500,001 to HK\$3,000,000 . . . . .	–	1	1
HK\$5,000,001 to HK\$5,500,000 . . . . .	–	–	1
	<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 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.

**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 the subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$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.

**Macau Complementary Tax**

Macau complementary tax was calculated at the excess progressive rate of 3% to 12% on the estimated assessable profit during each of the Relevant Periods.

The income tax expenses for the Relevant Periods are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current . . . . .	41,698	33,601	140,471
Deferred ( <i>note 24</i> ). . . . .	(1,369)	(1,360)	(3,304)
	<u>40,329</u>	<u>32,241</u>	<u>137,167</u>

A reconciliation of the income tax expense applicable to profit before tax using the statutory 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	2022	2023
	RMB'000	RMB'000	RMB'000
Profit before tax . . . . .	154,209	126,770	553,469
Tax at the statutory tax rate of 25% . . . . .	38,552	31,693	138,367
Lower tax rate for specific provinces or enacted by local authority . . . . .	484	(9)	(2,726)
Expenses not deductible for tax . . . . .	42	39	149
Equity-settled share-based payments not deductible for tax . . . . .	1,064	464	2,158
Adjustments in respect of current tax of previous years . . . . .	–	–	(444)
Tax losses utilised from previous years . . . . .	(108)	(71)	(337)
Deductible temporary difference and tax losses not recognised . . . . .	295	125	–
Tax charge at the Group's effective rate . . . . .	<u>40,329</u>	<u>32,241</u>	<u>137,167</u>

**11. DIVIDENDS**

No dividends have been paid or declared by the Company during the Relevant Periods.

**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 136,500,000, 136,500,000 and 137,426,000 in issue during each of 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:			
Profit attributable to ordinary equity holders of the Company . . . . .	113,880	94,529	416,302
	<u>113,880</u>	<u>94,529</u>	<u>416,302</u>
	Number of shares		
	Year ended 31 December		
	2021	2022	2023
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Shares:			
Weighted average number of ordinary shares in issue during the year . . . . .	136,500	136,500	137,426
	<u>136,500</u>	<u>136,500</u>	<u>137,426</u>

**13. PROPERTY, PLANT AND EQUIPMENT****Group**

	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<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 . . . . .	39,692	17,646	2,694	854	4,552	65,438
Accumulated depreciation and impairment . . . . .	(18,631)	(7,736)	(1,823)	(509)	(757)	(29,456)
Net carrying amount . . . . .	<u>21,061</u>	<u>9,910</u>	<u>871</u>	<u>345</u>	<u>3,795</u>	<u>35,982</u>



	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021, net of accumulated depreciation and impairment . . . . .	21,061	9,910	871	345	3,795	35,982
Additions . . . . .	16,235	5,767	995	–	1,580	24,577
Disposal . . . . .	–	(164)	–	(57)	–	(221)
Depreciation provided during the year . . . . .	(7,881)	(3,694)	(600)	(163)	(472)	(12,810)
Exchange realignment . . . . .	(34)	(13)	–	–	–	(47)
At 31 December 2021, net of accumulated depreciation . . . . .	<u>29,381</u>	<u>11,806</u>	<u>1,266</u>	<u>125</u>	<u>4,903</u>	<u>47,481</u>
At 31 December 2021: Cost . . . . .	53,385	23,042	3,638	623	6,132	86,820
Accumulated depreciation . . . . .	(24,004)	(11,236)	(2,372)	(498)	(1,229)	(39,339)
Net carrying amount . . . . .	<u>29,381</u>	<u>11,806</u>	<u>1,266</u>	<u>125</u>	<u>4,903</u>	<u>47,481</u>
<b>31 December 2022</b>						
At 1 January 2022: Cost . . . . .	53,385	23,042	3,638	623	6,132	86,820
Accumulated depreciation . . . . .	(24,004)	(11,236)	(2,372)	(498)	(1,229)	(39,339)
Net carrying amount . . . . .	<u>29,381</u>	<u>11,806</u>	<u>1,266</u>	<u>125</u>	<u>4,903</u>	<u>47,481</u>
At 1 January 2022, net of accumulated depreciation . . . . .	29,381	11,806	1,266	125	4,903	47,481
Additions . . . . .	19,075	6,753	1,155	470	182	27,635
Disposal . . . . .	(1,555)	(95)	(2)	–	–	(1,652)
Depreciation provided during the year . . . . .	(14,479)	(4,397)	(769)	(192)	(629)	(20,466)
Impairment . . . . .	(559)	–	–	–	–	(559)
Exchange realignment . . . . .	158	77	–	–	–	235
At 31 December 2022, net of accumulated depreciation . . . . .	<u>32,021</u>	<u>14,144</u>	<u>1,650</u>	<u>403</u>	<u>4,456</u>	<u>52,674</u>
At 31 December 2022: Cost . . . . .	70,923	29,504	4,373	905	6,313	112,018
Accumulated depreciation . . . . .	(38,902)	(15,360)	(2,723)	(502)	(1,857)	(59,344)
Net carrying amount . . . . .	<u>32,021</u>	<u>14,144</u>	<u>1,650</u>	<u>403</u>	<u>4,456</u>	<u>52,674</u>

As at 31 December 2022, based on the impairment review results, the carrying amount of the cash-generating unit has been reduced to its recoverable amount of RMB205,000 through recognition of an impairment loss of RMB559,000.

## Group

	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2023</b>						
At 1 January 2023:						
Cost . . . . .	70,923	29,504	4,373	905	6,313	112,018
Accumulated depreciation . . . . .	(38,902)	(15,360)	(2,723)	(502)	(1,857)	(59,344)
Net carrying amount . . . . .	<u>32,021</u>	<u>14,144</u>	<u>1,650</u>	<u>403</u>	<u>4,456</u>	<u>52,674</u>
At 1 January 2023, net of accumulated depreciation . . . . .						
	32,021	14,144	1,650	403	4,456	52,674
Additions . . . . .	18,631	8,739	1,049	1,708	1,696	31,823
Disposal . . . . .	(288)	(404)	(2)	–	–	(694)
Depreciation provided during the year . . . . .	(18,271)	(5,251)	(955)	(416)	(707)	(25,600)
Exchange realignment . . . . .	(665)	11	–	–	–	(654)
At 31 December 2023, net of accumulated depreciation . . . . .	<u>31,428</u>	<u>17,239</u>	<u>1,742</u>	<u>1,695</u>	<u>5,445</u>	<u>57,549</u>
At 31 December 2023:						
Cost . . . . .	87,951	35,863	5,379	2,613	8,009	139,815
Accumulated depreciation . . . . .	(56,523)	(18,624)	(3,637)	(918)	(2,564)	(82,266)
Net carrying amount . . . . .	<u>31,428</u>	<u>17,239</u>	<u>1,742</u>	<u>1,695</u>	<u>5,445</u>	<u>57,549</u>

## Company

	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<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 . . . . .	15,227	16,015	2,365	419	3	34,029
Accumulated depreciation . . . . .	(11,021)	(7,146)	(1,634)	(302)	–*	(20,103)
Net carrying amount . . . . .	<u>4,206</u>	<u>8,869</u>	<u>731</u>	<u>117</u>	<u>3</u>	<u>13,926</u>
At 1 January 2021, net of accumulated depreciation . . . . .						
	4,206	8,869	731	117	3	13,926
Additions . . . . .	6,940	4,600	446	–	–	11,986
Disposal . . . . .	–	(164)	–	(57)	–	(221)
Depreciation provided during the year . . . . .	(4,629)	(3,267)	(474)	(60)	(1)	(8,431)
At 31 December 2021, net of accumulated depreciation . . . . .	<u>6,517</u>	<u>10,038</u>	<u>703</u>	<u>–</u>	<u>2</u>	<u>17,260</u>
At 31 December 2021:						
Cost . . . . .	22,166	20,287	2,765	188	3	45,409
Accumulated depreciation . . . . .	(15,649)	(10,249)	(2,062)	(188)	(1)	(28,149)
Net carrying amount . . . . .	<u>6,517</u>	<u>10,038</u>	<u>703</u>	<u>–</u>	<u>2</u>	<u>17,260</u>

\* The amount of depreciation of plant and machinery is less than 1 thousand.

## Company

	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<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 . . . . .	22,166	20,287	2,765	188	3	45,409
Accumulated depreciation . . . . .	(15,649)	(10,249)	(2,062)	(188)	(1)	(28,149)
Net carrying amount . . . . .	<u>6,517</u>	<u>10,038</u>	<u>703</u>	<u>–</u>	<u>2</u>	<u>17,260</u>
At 1 January 2022, net of accumulated depreciation . . . . .						
	6,517	10,038	703	–	2	17,260
Additions . . . . .	17,883	6,704	1,007	470	–	26,064
Disposal . . . . .	(1,555)	(95)	(2)	–	–	(1,652)
Depreciation provided during the year . . . . .	(9,746)	(3,829)	(533)	(88)	–*	(14,196)
Impairment . . . . .	(559)	–	–	–	–	(559)
At 31 December 2022, net of accumulated depreciation . . . . .	<u>12,540</u>	<u>12,818</u>	<u>1,175</u>	<u>382</u>	<u>2</u>	<u>26,917</u>
At 31 December 2022:						
Cost . . . . .	38,249	26,604	3,350	470	3	68,676
Accumulated depreciation . . . . .	(25,709)	(13,786)	(2,175)	(88)	(1)	(41,759)
Net carrying amount . . . . .	<u>12,540</u>	<u>12,818</u>	<u>1,175</u>	<u>382</u>	<u>2</u>	<u>26,917</u>

\* The amount of depreciation of plant and machinery is less than 1 thousand.

As at 31 December 2022, based on the impairment review results, the carrying amount of the cash-generating unit has been reduced to its recoverable amount of RMB205,000 through recognition of an impairment loss of RMB559,000.

## Company

	Leasehold improvements	Furniture, fixtures and equipment	Devices and equipment	Motor vehicles	Plant and machinery	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2023</b>						
At 1 January 2023:						
Cost . . . . .	38,249	26,604	3,350	470	3	68,676
Accumulated depreciation . . . . .	(25,709)	(13,786)	(2,175)	(88)	(1)	(41,759)
Net carrying amount . . . . .	<u>12,540</u>	<u>12,818</u>	<u>1,175</u>	<u>382</u>	<u>2</u>	<u>26,917</u>
At 1 January 2023, net of accumulated depreciation . . . . .						
	12,540	12,818	1,175	382	2	26,917
Additions . . . . .	14,954	7,477	739	1,707	–	24,877
Disposal . . . . .	(288)	(349)	(2)	–	–	(639)
Depreciation provided during the year . . . . .	(13,358)	(4,548)	(672)	(416)	–*	(18,994)
At 31 December 2023, net of accumulated depreciation . . . . .	<u>13,848</u>	<u>15,398</u>	<u>1,240</u>	<u>1,673</u>	<u>2</u>	<u>32,161</u>
At 31 December 2023:						
Cost . . . . .	51,599	31,770	4,044	2,177	3	89,593
Accumulated depreciation . . . . .	(37,751)	(16,372)	(2,804)	(504)	(1)	(57,432)
Net carrying amount . . . . .	<u>13,848</u>	<u>15,398</u>	<u>1,240</u>	<u>1,673</u>	<u>2</u>	<u>32,161</u>

\* The amount of depreciation of plant and machinery is less than 1 thousand.

## 14. LEASES

**The Group/Company as a lessee**

The Group has lease contracts for various office premises, buildings and stores used in its operations. 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>Office premises and buildings</b>	<b>Stores</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021 . . . . .	10,297	56,414	66,711
Additions . . . . .	26,419	33,798	60,217
Depreciation charge . . . . .	(7,905)	(37,444)	(45,349)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	10,096	81,854	91,950
Exchange realignment . . . . .	(4)	(263)	(267)
As at 31 December 2021 and 1 January 2022 . . .	38,903	134,359	173,262
Additions . . . . .	5,001	64,508	69,509
Depreciation charge . . . . .	(11,377)	(48,816)	(60,193)
Remeasurement of leases . . . . .	(31)	(3,746)	(3,777)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	411	15,581	15,992
Exchange realignment . . . . .	18	987	1,005
Impairment . . . . .	–	(72)	(72)
As at 31 December 2022 and 1 January 2023 . . .	32,925	162,801	195,726
Additions . . . . .	4,776	129,322	134,098
Depreciation charge . . . . .	(12,127)	(79,280)	(91,407)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	581	12,649	13,230
Exchange realignment . . . . .	3	569	572
As at 31 December 2023 . . . . .	<u>26,158</u>	<u>226,061</u>	<u>252,219</u>

As at 31 December 2022, based on the impairment review results, the carrying amount of the cash-generating unit has been reduced to its recoverable amount of RMB25,000 through recognition of an impairment loss of RMB72,000.

**Company**

	Office premises and buildings	Stores	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2021 . . . . .	4,706	45,198	49,904
Additions . . . . .	23,739	33,798	57,537
Depreciation charge . . . . .	(6,737)	(33,725)	(40,462)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	10,096	81,854	91,950
As at 31 December 2021 and 1 January 2022 . . .	31,804	127,125	158,929
Additions . . . . .	4,315	51,889	56,204
Depreciation charge . . . . .	(9,859)	(44,463)	(54,322)
Remeasurement of leases . . . . .	(31)	(3,635)	(3,666)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	67	15,556	15,623
Impairment . . . . .	–	(72)	(72)
As at 31 December 2022 and 1 January 2023 . . .	26,296	146,400	172,696
Additions . . . . .	4,368	63,842	68,210
Depreciation charge . . . . .	(10,497)	(63,772)	(74,269)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	581	12,663	13,244
As at 31 December 2023 . . . . .	20,748	159,133	179,881

As at 31 December 2022, based on the impairment review results, the carrying amount of the cash-generating unit has been reduced to its recoverable amount of RMB25,000 through recognition of an impairment loss of RMB72,000.

**(b) Lease liabilities**

The carrying amounts of the Group's and the Company'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 . . . . .	68,821	174,853	198,697
New leases . . . . .	59,185	68,338	133,585
Accretion of interest recognised during the year . .	3,993	9,148	10,415
Remeasurement of leases . . . . .	–	(3,777)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	91,950	15,621	13,180
Covid-19-related rent concessions from lessors . .	(97)	(3,282)	–
Payments . . . . .	(48,711)	(63,277)	(89,690)
Exchange realignment . . . . .	(288)	1,073	626
Carrying amount at end of the year . . . . .	174,853	198,697	266,813
Analysed into:			
Current portion . . . . .	45,824	71,512	101,394
Non-current portion . . . . .	129,029	127,185	165,419
	174,853	198,697	266,813



## Company

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year . . . . .	50,923	159,447	174,294
New leases . . . . .	56,506	55,491	67,795
Accretion of interest recognised during the year . . . . .	3,204	8,400	8,360
Remeasurement of leases . . . . .	–	(3,666)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	91,950	15,261	13,180
Covid-19-related rent concessions from lessors . . . . .	–	(2,026)	–
Payments . . . . .	(43,136)	(58,613)	(76,785)
Carrying amount at end of the year . . . . .	<u>159,447</u>	<u>174,294</u>	<u>186,844</u>
Analysed into:			
Current portion . . . . .	40,859	61,893	72,025
Non-current portion . . . . .	118,588	112,401	114,819
	<u>159,447</u>	<u>174,294</u>	<u>186,844</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information and the total cash outflow for leases is disclosed in note 29(c) to the Historical Financial Information.

(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 . . . . .	3,993	9,148	10,415
Depreciation charge of right-of-use assets . . . . .	45,349	60,193	91,407
Expense relating to short-term leases . . . . .	27,512	28,331	31,485
Variable lease payments not included in the measurement of lease liabilities . . . . .	63,105	47,106	164,942
Covid-19-related rent concessions from lessors . . . . .	(97)	(3,282)	–
Impairment of right-of-use assets . . . . .	–	72	–
Total amount recognised in profit or loss . . . . .	<u>139,862</u>	<u>141,568</u>	<u>298,249</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.

*(e) Variable lease payments*

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The following summary provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

*Year ended 31 December, 2021*

	<u>Fixed payments</u>	<u>Variable payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rent . . . . .	37,331	–	37,331
Variable rent with minimum payment . . . . .	38,892	63,105	101,997
	<u>76,223</u>	<u>63,105</u>	<u>139,328</u>

*Year ended 31 December, 2022*

	<u>Fixed payments</u>	<u>Variable payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rent . . . . .	42,083	–	42,083
Variable rent with a minimum rental amount . . .	49,525	47,106	96,631
	<u>91,608</u>	<u>47,106</u>	<u>138,714</u>

*Year ended 31 December, 2023*

	<u>Fixed payments</u>	<u>Variable payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rent . . . . .	56,002	–	56,002
Variable rent with a minimum rental payment . . .	65,173	164,942	230,115
	<u>121,175</u>	<u>164,942</u>	<u>286,117</u>

**15. OTHER INTANGIBLE ASSETS****Group**

	<u>Trademark</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<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 . . . . .	693	2,826	1,219	4,738
Accumulated amortisation and impairment . . . . .	(113)	(1,131)	(794)	(2,038)
Net carrying amount . . . . .	<u>580</u>	<u>1,695</u>	<u>425</u>	<u>2,700</u>

	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021, net of accumulated amortisation and impairment . . . . .	580	1,695	425	2,700
Additions . . . . .	169	767	58	994
Amortisation provided during the year . . . . .	(80)	(770)	(169)	(1,019)
At 31 December 2021, net of accumulated amortisation . . . . .	<u>669</u>	<u>1,692</u>	<u>314</u>	<u>2,675</u>
At 31 December 2021:				
Cost . . . . .	862	3,592	1,047	5,501
Accumulated amortisation . . . . .	(193)	(1,900)	(733)	(2,826)
Net carrying amount . . . . .	<u>669</u>	<u>1,692</u>	<u>314</u>	<u>2,675</u>
	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

**31 December 2022**

At 1 January 2022:				
Cost . . . . .	862	3,592	1,047	5,501
Accumulated amortisation . . . . .	(193)	(1,900)	(733)	(2,826)
Net carrying amount . . . . .	<u>669</u>	<u>1,692</u>	<u>314</u>	<u>2,675</u>
At 1 January 2022, net of accumulated amortisation . . . . .	669	1,692	314	2,675
Additions . . . . .	61	1,085	211	1,357
Amortisation provided during the year . . . . .	(99)	(789)	(79)	(967)
At 31 December 2022, net of accumulated amortisation . . . . .	<u>631</u>	<u>1,988</u>	<u>446</u>	<u>3,065</u>
At 31 December 2022:				
Cost . . . . .	923	4,677	1,258	6,858
Accumulated amortisation . . . . .	(292)	(2,689)	(812)	(3,793)
Net carrying amount . . . . .	<u>631</u>	<u>1,988</u>	<u>446</u>	<u>3,065</u>

**Group**

	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023:				
Cost . . . . .	923	4,677	1,258	6,858
Accumulated amortisation . . . . .	(292)	(2,689)	(812)	(3,793)
Net carrying amount . . . . .	<u>631</u>	<u>1,988</u>	<u>446</u>	<u>3,065</u>

	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023, net of accumulated amortisation . . . . .	631	1,988	446	3,065
Additions . . . . .	223	265	209	697
Amortisation provided during the year . . . . .	(120)	(650)	(115)	(885)
At 31 December 2023, net of accumulated amortisation . . . . .	<u>734</u>	<u>1,603</u>	<u>540</u>	<u>2,877</u>
At 31 December 2023:				
Cost . . . . .	1,146	4,942	1,467	7,555
Accumulated amortisation . . . . .	(412)	(3,339)	(927)	(4,678)
Net carrying amount . . . . .	<u>734</u>	<u>1,603</u>	<u>540</u>	<u>2,877</u>

**Company**

	Trademark	Software	Others	Total
	<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 . . . . .	693	2,826	968	4,487
Accumulated amortization . . . . .	(113)	(1,131)	(559)	(1,803)
Net carrying amount . . . . .	<u>580</u>	<u>1,695</u>	<u>409</u>	<u>2,684</u>
At 1 January 2021, net of accumulated amortisation . . . . .	580	1,695	409	2,684
Additions . . . . .	169	767	58	994
Amortisation provided during the year . . . . .	(80)	(770)	(166)	(1,016)
At 31 December 2021, net of accumulated amortisation . . . . .	<u>669</u>	<u>1,692</u>	<u>301</u>	<u>2,662</u>
At 31 December 2021:				
Cost . . . . .	862	3,592	1,026	5,480
Accumulated amortisation . . . . .	(193)	(1,900)	(725)	(2,818)
Net carrying amount . . . . .	<u>669</u>	<u>1,692</u>	<u>301</u>	<u>2,662</u>

**Company**

	Trademark	Software	Others	Total
	<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 . . . . .	862	3,592	1,026	5,480
Accumulated amortisation . . . . .	(193)	(1,900)	(725)	(2,818)
Net carrying amount . . . . .	<u>669</u>	<u>1,692</u>	<u>301</u>	<u>2,662</u>

	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022, net of accumulated amortization . . . . .	669	1,692	301	2,662
Additions . . . . .	61	1,085	211	1,357
Amortisation provided during the year . . . . .	(99)	(789)	(76)	(964)
At 31 December 2022, net of accumulated amortization . . . . .	<u>631</u>	<u>1,988</u>	<u>436</u>	<u>3,055</u>
At 31 December 2022:				
Cost . . . . .	923	4,677	1,237	6,837
Accumulated amortization . . . . .	(292)	(2,689)	(801)	(3,782)
Net carrying amount . . . . .	<u>631</u>	<u>1,988</u>	<u>436</u>	<u>3,055</u>
	Trademark	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

**31 December 2023**

At 1 January 2023:				
Cost . . . . .	923	4,677	1,237	6,837
Accumulated amortisation . . . . .	(292)	(2,689)	(801)	(3,782)
Net carrying amount . . . . .	<u>631</u>	<u>1,988</u>	<u>436</u>	<u>3,055</u>
At 1 January 2023, net of accumulated amortization . . . . .	631	1,988	436	3,055
Additions . . . . .	186	265	210	661
Amortisation provided during the year . . . . .	(119)	(650)	(112)	(881)
At 31 December 2023, net of accumulated amortization . . . . .	<u>698</u>	<u>1,603</u>	<u>534</u>	<u>2,835</u>
At 31 December 2023:				
Cost . . . . .	1,109	4,942	1,447	7,498
Accumulated amortization . . . . .	(411)	(3,339)	(913)	(4,663)
Net carrying amount . . . . .	<u>698</u>	<u>1,603</u>	<u>534</u>	<u>2,835</u>

**16. INVENTORIES****Group**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods . . . . .	560,671	644,843	791,294
Raw materials . . . . .	122,389	109,984	292,001
Work in progress . . . . .	86,935	50,300	182,236
Goods in transit . . . . .	348	1,709	2,401
	<u>770,343</u>	<u>806,836</u>	<u>1,267,932</u>

**Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods . . . . .	566,659	654,903	773,480
Raw materials . . . . .	118,084	67,627	135,326
Work in progress . . . . .	86,776	50,192	184,868
Goods in transit . . . . .	197	1,709	2,401
	<u>771,716</u>	<u>774,431</u>	<u>1,096,075</u>

As at 31 December 2021, 2022 and 2023, the Group's and Company's inventories with carrying amounts of RMB25,000,000, RMB30,600,000 and RMB30,000,000 were pledged as security for the Group's and Company's bank loans, as further detailed in note 23 to the financial information.

Write-downs of inventories to net realisable value amounted to RMB55,000, RMB514,000 and RMB1,745,000 for years ended 31 December 2021, 2022 and 2023. These were included in "Profit before tax" in the consolidated statement of profit or loss during the Relevant Periods.

**17. TRADE RECEIVABLES****Group**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	105,847	101,487	381,082
Impairment . . . . .	(1,415)	(1,221)	(4,757)
	<u>104,432</u>	<u>100,266</u>	<u>376,325</u>

**Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	105,603	101,226	377,620
Impairment . . . . .	(1,413)	(1,220)	(4,750)
	<u>104,190</u>	<u>100,006</u>	<u>372,870</u>

The Group's trade receivables usually generate from sales through boutiques and online platform which help collect sales proceeds. The Group usually grants a credit period of within 30 or 60 days to the relevant shopping malls and online platform. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The fair values of trade receivables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

An ageing analysis of the trade receivables 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	2022	2023
	RMB'000	RMB'000	RMB'000
Within 1 month . . . . .	77,306	85,952	329,797
1 to 2 months . . . . .	27,126	10,213	22,821
2 to 3 months . . . . .	–	4,079	23,702
Over 3 months . . . . .	–	22	5
Total . . . . .	<u>104,432</u>	<u>100,266</u>	<u>376,325</u>

**Company**

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within 1 month . . . . .	77,170	85,692	326,595
1 to 2 months . . . . .	27,020	10,213	22,572
2 to 3 months . . . . .	–	4,079	23,698
Over 3 months . . . . .	–	22	5
Total . . . . .	<u>104,190</u>	<u>100,006</u>	<u>372,870</u>

The movements in the loss allowance for impairment/reversal of impairment of trade receivables are as follows:

**Group**

	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	925	1,415	1,221
Impairment/(reversal of impairment) losses, net (note 7) . . . . .	490	(194)	3,536
Exchange realignment . . . . .	–*	–*	–*
At end of the year . . . . .	<u>1,415</u>	<u>1,221</u>	<u>4,757</u>

\* The amount of exchange realignment is less than 1 thousand.

**Company**

	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	922	1,413	1,220
Impairment/(reversal of impairment) losses, net . .	491	(193)	3,530
At end of the year . . . . .	<u>1,413</u>	<u>1,220</u>	<u>4,750</u>



**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 aging of the trade receivables, used to reflect current conditions and estimates of future economic conditions.

**Group**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**At 31 December 2021**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.34%	1.34%	–	–	–	1.34%
Gross carrying amount (RMB'000). . . . .	78,353	27,494	–	–	–	105,847
Expected credit losses (RMB'000). . . . .	1,047	368	–	–	–	1,415

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

**At 31 December 2022**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.20%	1.20%	1.20%	1.20%	–	1.20%
Gross carrying amount (RMB'000). . . . .	86,999	10,337	4,129	22	–	101,487
Expected credit losses (RMB'000). . . . .	1,047	124	50	–	–	1,221

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

**At 31 December 2023**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.25%	1.25%	1.25%	–	1.25%	1.25%
Gross carrying amount (RMB'000). . . . .	333,966	23,109	24,002	–	5	381,082
Expected credit losses (RMB'000). . . . .	4,169	288	300	–	–	4,757

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

**Company**

Set out below is the information about the credit risk exposure on the Company's trade receivables using provision matrix:

**At 31 December 2021**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.34%	1.34%	–	–	–	1.34%
Gross carrying amount (RMB'000). . . . .	78,217	27,386	–	–	–	105,603
Expected credit losses (RMB'000). . . . .	<u>1,047</u>	<u>366</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,413</u>

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

**At 31 December 2022**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.21%	1.21%	1.21%	1.21%	–	1.21%
Gross carrying amount (RMB'000). . . . .	86,738	10,337	4,129	22	–	101,226
Expected credit losses (RMB'000). . . . .	<u>1,046</u>	<u>124</u>	<u>50</u>	<u>–</u>	<u>–</u>	<u>1,220</u>

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

**At 31 December 2023**

	Current	Past due				Total
		Less than 1 months	1 to 2 months	2 to 3 month	Over 3 months	
Expected credit loss rate* . . .	1.26%	1.26%	1.26%	–	1.26%	1.26%
Gross carrying amount (RMB'000). . . . .	330,755	22,860	24,000	–	5	377,620
Expected credit losses (RMB'000). . . . .	<u>4,160</u>	<u>288</u>	<u>302</u>	<u>–</u>	<u>–</u>	<u>4,750</u>

\* Discrepancies between the ECL rate and amounts listed are due to the rounding up of figures.

There was no significant change in the ECL rates for the time band during the reporting period, which was mainly due to no significant changes in the historical default rates of trade receivables, economic conditions and performance and behaviour of the debtors based on which the ECL rates are determined.

## 18. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

## Group

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Current</b>			
Prepayments . . . . .	6,352	26,888	35,341
Deposits . . . . .	12,216	8,488	17,634
Other receivables . . . . .	495	424	551
Tax recoverable . . . . .	4,415	2,179	9,298
Impairment . . . . .	(563)	(381)	(1,083)
	<u>22,915</u>	<u>37,598</u>	<u>61,741</u>
<b>Non-current</b>			
Deposits . . . . .	9,365	20,799	31,699
Other assets . . . . .	5,902	5,791	27,414
Impairment . . . . .	(469)	(1,059)	(1,585)
	<u>14,798</u>	<u>25,531</u>	<u>57,528</u>

## Company

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Current</b>			
Prepayments . . . . .	4,987	26,847	31,393
Deposits . . . . .	11,824	6,083	15,173
Other receivables . . . . .	413	393	379
Tax recoverable . . . . .	4,282	2,179	9,298
Impairment . . . . .	(540)	(252)	(948)
	<u>20,966</u>	<u>35,250</u>	<u>55,295</u>
<b>Non-current</b>			
Deposits . . . . .	6,828	18,151	14,616
Other assets . . . . .	5,327	5,374	1,839
Impairment . . . . .	(341)	(927)	(730)
	<u>11,814</u>	<u>22,598</u>	<u>15,725</u>

The movements in the loss allowance for impairment of prepayments, deposits and other assets are as follows:

## Group

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	1,046	1,032	1,440
Impairment (note 7) . . . . .	93	409	1,238
Write-off . . . . .	(103)	(16)	(19)
Exchange realignment . . . . .	(4)	15	9
At end of the year . . . . .	<u>1,032</u>	<u>1,440</u>	<u>2,668</u>

**Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year . . . . .	754	881	1,179
Impairment . . . . .	127	314	518
Write-off . . . . .	–	(16)	(19)
At end of the year . . . . .	<u>881</u>	<u>1,179</u>	<u>1,678</u>

**19. CASH AND CASH EQUIVALENTS****Group**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents . . . . .	<u>25,190</u>	<u>60,282</u>	<u>69,838</u>
Denominated in:			
RMB . . . . .	18,346	56,646	42,646
HKD . . . . .	4,493	757	24,240
MOP . . . . .	2,351	2,879	2,952
	<u>25,190</u>	<u>60,282</u>	<u>69,838</u>

**Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents . . . . .	<u>16,839</u>	<u>56,061</u>	<u>41,311</u>
Denominated in:			
RMB . . . . .	<u>16,839</u>	<u>56,061</u>	<u>41,311</u>

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 is 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. Short term time deposits are made within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**20. 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	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month . . . . .	5,712	4,329	29,829
1 to 2 months . . . . .	642	357	27,621
2 to 3 months . . . . .	320	56	119
Over 3 months . . . . .	415	363	93
	<u>7,089</u>	<u>5,105</u>	<u>57,662</u>

**Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month . . . . .	5,067	3,076	27,847
1 to 2 months . . . . .	642	357	24,144
2 to 3 months . . . . .	320	56	116
Over 3 months . . . . .	415	363	21
	<u>6,444</u>	<u>3,852</u>	<u>52,128</u>

Trade payables to third parties of the Company are non-interest-bearing. The trade payables to third parties are normally settled on credit terms of one to three months after the invoice date.

The fair values of trade payables as at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

**21. OTHER PAYABLES AND ACCRUALS****Group**

	<i>Note</i>	At 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>				
Deposits . . . . .		3,000	3,800	3,800
Salary and welfare payables . . . . .		36,664	32,539	63,268
Other payables . . . . .		10,985	9,527	25,686
Accruals . . . . .		4,895	6,627	27,340
Interest payable . . . . .		305	392	110
Other tax payable . . . . .		12,013	10,913	19,886
		<u>67,862</u>	<u>63,798</u>	<u>140,090</u>
<b>Non-current</b>				
Provisions . . . . .	(a)	1,794	2,184	2,418

**Company**

	<i>Note</i>	<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>
<b>Current</b>				
Deposits . . . . .		3,000	3,800	3,800
Salary and welfare payables . . . . .		30,603	26,988	51,603
Other payables . . . . .		8,704	8,724	23,611
Accruals . . . . .		4,924	6,637	22,399
Interest payable . . . . .		305	392	110
Other tax payable . . . . .		7,823	10,577	25,018
		<u>55,359</u>	<u>57,118</u>	<u>126,541</u>
<b>Non-current</b>				
Provisions . . . . .	(a)	<u>1,794</u>	<u>2,184</u>	<u>2,262</u>

(a) Non-current portion of other payables and accruals mainly represented provisions in relation to the projected restoration costs for boutiques.

**22. CONTRACT LIABILITIES****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>
Advances received from customers . . . . .	<u>5,630</u>	<u>8,819</u>	<u>27,766</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>
Advances received from customers . . . . .	<u>5,466</u>	<u>8,639</u>	<u>27,575</u>

Contract liabilities include advances received to deliver goods. The changes in contract liabilities in the Relevant Periods were mainly due to the changes in advances received from customers in relation to the delivery of goods at the end of each Relevant Periods. The advances recognised as revenue at the time of delivery of goods.

## 23. INTEREST-BEARING BANK AND OTHER BORROWINGS

## Group

Group	At 31 December								
	2021			2022			2023		
	Effective interest rate (%)	Maturity	RMB '000	Effective interest rate (%)	Maturity	RMB '000	Effective interest rate (%)	Maturity	RMB '000
<b>Current</b>									
Bank loans – secured . . . . .	3.93-4.90	2022	128,337	2.03-4.90	2023	136,231	2.24-3.98	2024	127,754
Current portion of long term bank loans – secured . . . . .	5.16	2022	8,013	–	–	–	–	–	–
Other borrowings – unsecured . . . . .	6.50	2022	251	–	–	–	–	–	–
			<u>136,601</u>			<u>136,231</u>			<u>127,754</u>
Analysed into:									
Bank loans repayable:			136,350			136,231			127,754
Within one year or on demand . . . . .			136,350			136,231			127,754
Other borrowings repayable:			251			–			–
Within one year or on demand . . . . .			251			–			–
			<u>136,601</u>			<u>136,231</u>			<u>127,754</u>

Company	At 31 December								
	2021			2022			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>									
Bank loans – secured . . . . .	3.93-4.90	2022	123,331	2.03-4.90	2023	131,225	2.24-3.98	2024	127,754
Other borrowings – unsecured . . . . .	6.50	2022	251	–	–	–	–	–	–
			<u>123,582</u>			<u>131,225</u>			<u>127,754</u>
Analysed into:									
Bank loans repayable:									
Within one year or on demand . . . . .			123,331			131,225			127,754
Other borrowings repayable:									
Within one year or on demand . . . . .			251			–			–
			<u>251</u>			<u>–</u>			<u>–</u>
			<u>123,582</u>			<u>131,225</u>			<u>127,754</u>



*Notes:*

- (i) All interest-bearing bank and other borrowings are denominated in RMB.
- (ii) The following assets were pledged as securities for interest-bearing bank borrowings:

**Group and Company**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inventories . . . . .	25,000	30,600	30,000

- (iii) The Group's total facilities for bank and other borrowings amounted to RMB149,101,000, RMB156,231,000 and RMB127,754,000 of which RMB136,601,000, RMB136,231,000 and RMB127,754,000 had been utilised as at 31 December 2021, 2022 and 2023, respectively.
- (iv) As the end of each of the Relevant Periods, certain bank borrowings of the Group were guaranteed and counter-guaranteed by related parties, details of which are set out in the note 33(d) to the Historical Financial Information.
- (v) As the end of each of the Relevant Periods, certain bank borrowings of the Group amounting to RMB100,000,000, RMB105,000,000 and RMB99,000,000 respectively, were guaranteed by a third party guarantee company.

## 24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

## Deferred tax assets

	Impairment provision of financial assets	Impairment provision of inventories	Lease liabilities	Amortisation of intangible assets	Accrued expenses	Government grants	Tax losses	Internal transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>									
At 1 January 2021 . . . . .	423	22	14,598	297	158	162	–	5,058	20,718
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> ) . . . . .	156	32	28,142	(50)	68	(20)	–	1,170	29,498
At 31 December 2021 and 1 January 2022 . . . . .	579	54	42,740	247	226	142	–	6,228	50,216
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> ) . . . . .	23	154	3,499	(50)	136	81	–	1,371	5,214
At 31 December 2022 and 1 January 2023 . . . . .	602	208	46,239	197	362	223	–	7,599	55,430
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> ) . . . . .	1,101	243	3,548	(48)	(65)	65	426	(205)	5,065
At 31 December 2023 . . . . .	1,703	451	49,787	149	297	288	426	7,394	60,495

	Impairment provision of financial assets	Impairment provision of inventories	Lease liabilities	Amortisation of intangible assets	Accrued expenses	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
<b>Company</b>						
At 1 January 2021 . . . . .	418	22	13,141	297	158	14,036
Deferred tax credited/(charged) to profit or loss during the year . . . . .	154	32	27,737	(49)	68	27,942
At 31 December 2021 and 1 January 2022 . . . . .	572	54	40,878	248	226	41,978
Deferred tax credited/(charged) to profit or loss during the year . . . . .	22	154	3,549	(50)	136	3,811
At 31 December 2022 and 1 January 2023 . . . . .	594	208	44,427	198	362	45,789
Deferred tax credited/(charged) to profit or loss during the year . . . . .	1,012	226	2,284	(50)	(69)	3,403
At 31 December 2023 . . . . .	1,606	434	46,711	148	293	49,192

**Deferred tax liabilities**

	<b>Right-of-use assets</b>
	<i>RMB'000</i>
<b>Group</b>	
At 1 January 2021. . . . .	14,213
Deferred tax charged to profit or loss during the year ( <i>note 10</i> ). . . . .	28,129
At 31 December 2021 and 1 January 2022. . . . .	42,342
Deferred tax charged to profit or loss during the year ( <i>note 10</i> ). . . . .	3,854
At 31 December 2022 and 1 January 2023. . . . .	46,196
Deferred tax credited to profit or loss during the year ( <i>note 10</i> ) . . . . .	1,761
At 31 December 2023 . . . . .	47,957
	<b>Right-of-use assets</b>
	<i>RMB'000</i>
<b>Company</b>	
At 1 January 2021. . . . .	12,820
Deferred tax charged to profit or loss during the year . . . . .	27,780
At 31 December 2021 and 1 January 2022. . . . .	40,600
Deferred tax charged to profit or loss during the year . . . . .	3,949
At 31 December 2022 and 1 January 2023. . . . .	44,549
Deferred tax credited to profit or loss during the year. . . . .	1,175
At 31 December 2023 . . . . .	45,724

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>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>Group</b>			
Net deferred tax assets recognised in the consolidated statement of financial position. . . . .	7,874	9,234	12,538
	<b>7,874</b>	<b>9,234</b>	<b>12,538</b>
	<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>
<b>Company</b>			
Net deferred tax assets recognised in the statement of financial position . . . . .	1,378	1,240	3,468
	<b>1,378</b>	<b>1,240</b>	<b>3,468</b>

Deferred tax assets have not been recognised in respect of the following items:

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Group</b>			
Tax losses . . . . .	3,913	3,545	–
Deductible temporary difference . . . . .	795	1,475	–
	<u>4,708</u>	<u>5,020</u>	<u>–</u>

The Group has accumulated tax losses and deductible temporary difference in Hong Kong and Macau of RMB4,708,000, RMB5,020,000 and RMB13,783,000 as at 31 December 2021, 2022 and 2023. 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 Macau will expire in three years, for offsetting against future taxable profits. Deferred tax assets have been recognised as at 31 December 2023 in respect of these losses and deductible temporary difference is considered probable that taxable profits is available against which the tax losses can be utilised.

## 25. DEFERRED INCOME

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Government grants . . . . .	568	893	1,150
At beginning of year . . . . .	650	568	893
Grants received during the year . . . . .	–	677	812
Released to the statement of profit or loss during the year . . . . .	(82)	(352)	(555)
At end of year . . . . .	<u>568</u>	<u>893</u>	<u>1,150</u>

## 26. 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 . . . . .	<u>136,500</u>	<u>136,500</u>	<u>142,643</u>

A summary of movement in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023 . . . . .	136,500,000	136,500
Issuance of ordinary shares ( <i>note</i> ) . . . . .	6,142,500	6,143
At 31 December 2023 . . . . .	<u>142,642,500</u>	<u>142,643</u>

*Note:* There was no change in the authorised and fully paid capital of the Company during the years ended 31 December 2021 and 2022. On 7 November 2023, the shareholders of the Company resolved to increase the share capital of the Company from 136,500,000 Shares to 142,642,500 Shares with registered capital of the Company increased from RMB136.5 million to RMB142.6 million. The three subscribers including, Xiamen Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (廈門黑蟻三號股權投資合夥企業(有限合夥)) (formerly known as Suzhou Heiyi No. 3 Equity Investment Partnership (Limited Partnership) (蘇州黑蟻三號股權投資合夥企業(有限合夥))), Suzhou Yimei Investment Partnership (Limited Partnership) (蘇州逸美創業投資合夥企業(有限合夥)) and Fosun Hanxing (Hangzhou) Equity Investment Fund L.P. (Limited Partnership) (復星漢興(杭州)股權投資基金合夥企業(有限合夥)), subscribed the increased share capital of 6,142,500 Shares at a total consideration of RMB225 million.

## 27. SHARE-BASED PAYMENTS

The Group approved and adopted the 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 incentivize them to further promote the development of the Group.

In order to implement the Stock Incentive Plan, Tianjin Jincheng Enterprise Management Consulting Partnership (limited Partnership) (“Tianjin Jincheng”), Tianjin Jinji Enterprise Management Consulting Partnership (limited Partnership) (“Tianjin Jinji”), Tianjin Jinyong Enterprise Management Consulting Partnership (limited Partnership) (“Tianjin Jinyong”) and Tianjin Jinli Enterprise Management Consulting Partnership (limited Partnership) (“Tianjin Jinli”) were established and designated as stock incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

On August 20, 2018, the Group granted 13,420,000 restricted share units (“RSUs”) of the Group to 65 eligible employees at a subscribed price of RMB3.50. On April 23, 2019, the Group granted 2,540,000 restricted share units of the Group to 68 eligible employees at a subscribed price of RMB4.00. On October 12, 2023, the Group granted 1,900,000 restricted share units of the Group to 56 eligible employees at a subscribed price of RMB7.90.

All of the RSUs granted to the Share Incentive Participants shall be subject to both a listing-based condition (the “IPO Condition”) and a service-based condition (the “Service Condition”). The IPO Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied that the employee should remain in service during the prescribed period and there were no performance related requirements.

The fair value of the RSUs granted on August 20, 2018 was estimated at RMB4.50 per share as at the date of grant by reference to recent financing valuation of the Group.

The fair value of the RSUs granted on April 23, 2019 was estimated at RMB4.38 per share by an independent professionally qualified valuer.

The fair value of the RSUs granted on October 12, 2023 was estimated at RMB36.63 per share paid under the Pre-IPO Investments.

Share-based payment expenses recognised amounted to RMB4,258,000, RMB1,854,000 and RMB8,633,000 by the Group during the years ended 31 December 2021, 2022 and 2023, respectively.

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 . . . . .	15,960	15,260	15,260
Granted during the year . . . . .	–	–	1,900
Forfeited during the year . . . . .	(700)	–	(140)
At the end of the year . . . . .	<u>15,260</u>	<u>15,260</u>	<u>17,020</u>

**28. 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 and the capital contribution from controlling shareholder.

*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 subsidiaries provided that the reserve balance after such conversion is not less than 25% of the registered capital of the Company and 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 group companies whose functional currencies are different from the Group's presentation currency.

**Company**

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as below:

	Share premium*	Share-based payment reserve*	Statutory surplus reserve*	Retained profits*	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 . . . . .	384,340	5,509	18,701	102,752	511,302
Profit for the year . . . . .	–	–	–	108,261	108,261
Transfer to statutory surplus reserve . . . . .	–	–	10,826	(10,826)	–
Recognition of share-based payments . . . . .	–	4,258	–	–	4,258
At 31 December 2021 . . . . .	<u>384,340</u>	<u>9,767</u>	<u>29,527</u>	<u>200,187</u>	<u>623,821</u>
At 1 January 2022 . . . . .	384,340	9,767	29,527	200,187	623,821
Profit for the year . . . . .	–	–	–	88,190	88,190
Transfer to statutory surplus reserve . . . . .	–	–	8,819	(8,819)	–
Recognition of share-based payments . . . . .	–	1,854	–	–	1,854
At 31 December 2022 . . . . .	<u>384,340</u>	<u>11,621</u>	<u>38,346</u>	<u>279,558</u>	<u>713,865</u>

	Share premium*	Share-based payment reserve*	Statutory surplus reserve*	Retained profits*	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023. . . . .	384,340	11,621	38,346	279,558	713,865
Profit for the year . . . . .	–	–	–	377,150	377,150
Issuance of ordinary shares . . . . .	218,858	–	–	–	218,858
Share issue expenses . . . . .	(3,250)	–	–	–	(3,250)
Transfer from retained profits. . . . .	–	–	37,715	(37,715)	–
Recognition of share-based payments . . . . .	–	8,633	–	–	8,633
At 31 December 2023 . . . . .	<u>599,948</u>	<u>20,254</u>	<u>76,061</u>	<u>618,993</u>	<u>1,315,256</u>

\* These reserve accounts comprise the consolidated reserves of RMB623,821,000, RMB713,865,000 and RMB1,315,256,000 in the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, respectively.

## 29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions, remeasurement and revision to right-of-use assets of RMB152,167,000, RMB81,724,000 and RMB147,328,000, respectively, with the responding same amounts of lease liabilities and provision, respectively, in respect of lease arrangements for office premises and buildings and stores.

### (b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021. . . . .	134,357	68,821
Changes from financing cash flows . . . . .	(5,352)	(48,711)
Interest expenses . . . . .	7,596	3,993
New leases . . . . .	–	59,185
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	–	91,950
Covid-19-related rent concession from a lessor . . . . .	–	(97)
Effect of foreign exchange rate changes, net. . . . .	–	(288)
At 31 December 2021 and 1 January 2022. . . . .	<u>136,601</u>	<u>174,853</u>
Changes from financing cash flows . . . . .	(8,107)	(63,277)
Interest expenses . . . . .	7,737	9,148
New leases . . . . .	–	68,338
Remeasurement of leases . . . . .	–	(3,777)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	–	15,621
Covid-19-related rent concession from a lessor . . . . .	–	(3,282)
Effect of foreign exchange rate changes, net. . . . .	–	1,073



	Interest-bearing bank and other borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2022 and 1 January 2023 . . . . .	136,231	198,697
Changes from financing cash flows . . . . .	(16,138)	(89,690)
Interest expenses . . . . .	7,661	10,415
New leases . . . . .	–	133,585
Revision of a lease term arising from a change in the non- cancellable period of a lease . . . . .	–	13,180
Effect of foreign exchange rate changes, net. . . . .	–	626
At 31 December 2023 . . . . .	<u>127,754</u>	<u>266,813</u>

**(c) Total cash outflows for leases**

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
With operating activities . . . . .	90,617	75,437	196,427
With financing activities . . . . .	48,711	63,277	89,690
	<u>139,328</u>	<u>138,714</u>	<u>286,117</u>

**30. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, the Group did not have any significant contingent liabilities.

**31. PLEDGE OF ASSETS**

Details of the Group's assets pledged under interest-bearing bank loans are contained in notes 16 and 23 to the Historical Financial Information, respectively.

**32. COMMITMENTS**

The Group had the following capital commitments at the end of each of the Relevant Periods:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for leasehold improvements . . . . .	<u>5,237</u>	<u>1,790</u>	<u>2,569</u>

## 33. 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\*

Name	Relationship
Beijing Wenfang Culture Development Co., Ltd. . . . .	Controlled by the controlling shareholder
Mr. Xu Gaoming. . . . .	Ultimate controlling shareholder
Mr. Xu Dongbo . . . . .	Ultimate controlling shareholder
Ms. Li Zhengrong . . . . .	Close family member of the controlling shareholder
Mr. Xu Weiming. . . . .	Close family member of the controlling shareholder
Ms. Jiang Youhong . . . . .	Close family member of the controlling shareholder
Mr. Sui Wu . . . . .	Supervisor
Mr. Chen Wang . . . . .	Close family member of Ms. Peng Liuhua
Ms. Li Jia. . . . .	Secretary of Board of Directors; Chief Financial Officer
Mr. Zhang Nan. . . . .	Close family member of Ms. Li Jia
Mr. Feng Jianjun . . . . .	Director
Ms. Xiao Yanhui. . . . .	Supervisor
Ms. Wu Yanjun . . . . .	Key management personnel of the Group

\* 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) Sales of goods to related parties were as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties:			
Mr. Sui Wu* . . . . .	5	15	–
Mr. Xu Gaoming. . . . .	629	248	2,442
Mr. Feng Jianjun . . . . .	16	–	–
Ms. Wu Yanjun . . . . .	6	–	9
Ms. Li Jia. . . . .	–	–	10
	<u>656</u>	<u>263</u>	<u>2,461</u>

\* The amount of transactions with the related party only includes the amount for the period during which he became a related party of the Group.

The transaction amounts above between the Group and 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.

**(c) Outstanding balances with a related party****Group**

As disclosed in the statements of financial position, the Group had no outstanding balances with any related party at 31 December 2021, 2022 and 2023.

**Company**

As disclosed in the statements of financial position, the Company had below outstanding balances with a related party at 31 December 2021, 2022 and 2023.

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from subsidiary			
Yueyang Laopu Gold Filigree Handcraft Co., Ltd. . . . .	–	12	36
	<u>          </u>	<u>          </u>	<u>          </u>
	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to subsidiary			
Yueyang Laopu Gold Filigree Handcraft Co., Ltd. . . . .	125,217	95,844	48,099
	<u>          </u>	<u>          </u>	<u>          </u>

The amounts due to subsidiary were generated from the purchase of goods and services from the subsidiary. The Company's balances with a related party are unsecured, interest-free and repayable on demand.

**(d) The guarantee from related parties**

Certain related parties of the Group have provided guarantees and counter-guarantees in connection with interest-bearing bank borrowings up to RMB137,500,000, RMB138,000,000 and RMB129,000,000, respectively, as at each of the Relevant Periods.

As at 31 December 2021, certain of the Group's interest-bearing bank borrowings comprised:

- (1) RMB45,000,000 counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Ms. Li Jia, Ms. Wu Yanjun and Wenfang Culture Company at an interest rate of 3.85%;
- (2) RMB10,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo and counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Mr. Chen Wang, Ms. Xiao Yanhui, Ms. Wu Yanjun and Yueyang Laopu Company at an interest rate of 4.00%;
- (3) RMB40,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Yueyang Laopu Company and counter-guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo, Ms. Li Jia, Mr. Zhang Nan, Mr. Feng Jianjun and Wenfang Culture Company at an interest rate of 4.80%;
- (4) RMB27,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, and Yueyang Laopu Company at interest rates ranging from 4.80% to 4.90%;
- (5) RMB2,500,000 guaranteed by Mr. Xu Gaoming and Ms. Li Zhengrong at an interest rate of 6.50%;
- (6) RMB5,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo and counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Mr. Chen Wang, Ms. Xiao Yanhui and Ms. Wu Yanjun at an interest rate of 4.00%;
- (7) RMB8,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Weiming, Ms. Jiang Youhong and Mr. Xu Dongbo at an interest rate of 5.16%.

As at 31 December, 2022, certain of the Group's interest-bearing bank borrowings comprised:

- (1) RMB50,000,000 counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Ms. Li Jia, Ms. Wu Yanjun and Wenfang Culture Company at an interest rate of 3.70%;
- (2) RMB10,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo and counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Mr. Chen Wang, Ms. Xiao Yanhui, Ms. Wu Yanjun and Yueyang Laopu Company at an interest rate of 3.70%;
- (3) RMB40,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, and counter-guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo, Ms. Li Jia, Mr. Zhang Nan, Mr. Feng Jianjun, and Wenfang Culture Company at an interest rate of 4.80%;
- (4) RMB8,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, Mr. Xu Dongbo and Yueyang Laopu Company at an interest rate of 4.70%;
- (5) RMB10,000,000 guaranteed by Mr. Xu Gaoming and Ms. Li Zhengrong at an interest rate of 2.00%;
- (6) RMB15,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong and Mr. Xu Dongbo at an interest rate of 2.30%;
- (7) RMB5,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong, and Mr. Xu Dongbo, and counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Mr. Chen Wang, Ms. Xiao Yanhui and Ms. Wu Yanjun at an interest rate of 3.70%.

As at 31 December 2023, certain of the Group's interest-bearing bank borrowings comprised:

- (1) RMB50,000,000 counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Ms. Li Jia, Ms. Wu Yanjun and Wenfang Culture Company at an interest rate of 3.55%;
- (2) RMB49,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong and counter-guaranteed by Mr. Xu Gaoming, Mr. Xu Dongbo, Ms. Li Jia, Mr. Zhang Nan, Mr. Feng Jianjun and Wenfang Culture Company at an interest rate of 3.95%;
- (3) RMB20,000,000 guaranteed by Mr. Xu Gaoming, Ms. Li Zhengrong and Yueyang Laopu Company at an interest rate of 3.95%;
- (4) RMB10,000,000 guaranteed by Mr. Xu Gaoming and Mr. Xu Dongbo at an interest rate of 2.20%;

**(e) 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind . . . . .	11,338	9,666	14,986
Pension scheme contributions . . . . .	424	464	504
Equity-settled share-based payments . . . . .	331	412	445
	<u>12,093</u>	<u>10,542</u>	<u>15,935</u>

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the Group and the Company as at the end of each Relevant Periods were measured at amortised cost and their carrying amounts are as follows:

**Financial assets**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>			
Financial assets at amortised cost			
Trade receivables . . . . .	104,432	100,266	376,325
Financial assets included in prepayments, deposits and other receivables . . . . .	21,045	28,290	47,216
Cash and cash equivalents . . . . .	25,190	60,282	69,838
	<u>150,667</u>	<u>188,838</u>	<u>493,379</u>

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Company</b>			
Financial assets at amortised cost			
Trade receivables . . . . .	104,190	100,006	372,870
Amounts due from subsidiaries . . . . .	–	12	36
Financial assets included in prepayments, deposits and other receivables . . . . .	18,180	23,469	28,490
Cash and cash equivalents . . . . .	16,839	56,061	41,311
	<u>139,209</u>	<u>179,548</u>	<u>442,707</u>

**Financial liabilities**

	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>			
Financial liabilities at amortised cost			
Trade payables . . . . .	7,089	5,105	57,662
Financial liabilities included in other payables and accruals . . . . .	19,185	20,346	56,936
Lease liabilities . . . . .	174,853	198,697	266,813
Interest-bearing bank and other borrowings . . . . .	136,601	136,231	127,754
	<u>337,728</u>	<u>360,379</u>	<u>509,165</u>

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Company</b>			
Financial liabilities at amortised cost			
Trade payables . . . . .	6,444	3,852	52,128
Amounts due to subsidiaries . . . . .	125,217	95,844	48,099
Financial liabilities included in other payables and accruals . . . . .	16,933	19,553	49,920
Lease liabilities . . . . .	159,447	174,294	186,844
Interest-bearing bank and other borrowings . . . . .	123,582	131,225	127,754
	431,623	424,768	464,745
	431,623	424,768	464,745

### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables (current), trade payables, financial liabilities included in other payables and accruals (current), interest-bearing bank and other borrowings (current) 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 values of financial assets included in prepayments, deposits and other receivables (non-current), financial liabilities included in other payables and accruals (non-current) and the non-current interest-bearing bank and other borrowings 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 changes in fair values as a result of the Group's own non-performance risk for financial assets included in prepayments, deposits and other receivables (non-current) and interest-bearing loans and other borrowings (non-current) as at 31 December 2021, 2022 and 2023 were assessed to be insignificant.

The Group's finance department headed by the director of finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The director of 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 finance department.

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other 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, liquidity risk and foreign currency 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
	Stage 1	Simplified approach	
	<i>RMB'000</i>	<i>RMB'000</i>	
<b>At 31 December 2021</b>			
<b>Group</b>			
Trade receivables*	–	105,847	105,847
Financial assets included in prepayments, deposits and other assets			
– Normal**	22,076	–	22,076
Cash and cash equivalents			
– Not yet past due	25,190	–	25,190
	47,266	105,847	153,113
<b>Company</b>			
Trade receivables*	–	105,603	105,603
Financial assets included in prepayments, deposits and other assets			
– Normal**	19,062	–	19,062
Cash and cash equivalents			
– Not yet past due	16,839	–	16,839
	35,901	105,603	141,504
<b>At 31 December 2022</b>			
<b>Group</b>			
Trade receivables*	–	101,487	101,487
Financial assets included in prepayments, deposits and other assets			
– Normal**	29,711	–	29,711
Cash and cash equivalents			
– Not yet past due	60,282	–	60,282
	89,993	101,487	191,480
<b>Company</b>			
Trade receivables*	–	101,226	101,226
Financial assets included in prepayments, deposits and other assets			
– Normal**	24,629	–	24,629
Cash and cash equivalents			
– Not yet past due	56,061	–	56,061
	80,690	101,226	181,916

	12-month ECLs		Lifetime ECLs	Total
	Stage 1		Simplified approach	
	RMB'000		RMB'000	
<b>At 31 December 2023</b>				
<b>Group</b>				
Trade receivables*	–	381,082		381,082
Financial assets included in prepayments, deposits and other assets				
– Normal**	49,884	–		49,884
Cash and cash equivalents				
– Not yet past due	69,838	–		69,838
	<u>119,722</u>	<u>381,082</u>		<u>500,804</u>
<b>Company</b>				
Trade receivables*	–	377,620		377,620
Financial assets included in prepayments, deposits and other assets				
– Normal**	30,168	–		30,168
Cash and cash equivalents				
– Not yet past due	41,311	–		41,311
	<u>71,479</u>	<u>377,620</u>		<u>449,099</u>

\* 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 17 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, deposits and other receivables 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 17 to the Historical Financial Information.

### 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 and other borrowings and lease liabilities to maintain the balance between the consistency and flexibility financing activities.



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**

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>							
Trade payables . . . . .	–	7,089	–	–	–	–	7,089
Financial liabilities included in other payables and accruals . . . . .	–	19,185	–	–	–	–	19,185
Lease liabilities . . . . .	–	53,260	47,279	31,122	24,666	24,018	180,345
Interest-bearing bank and other borrowings . . . . .	–	141,376	–	–	–	–	141,376
	–	220,910	47,279	31,122	24,666	24,018	347,995

**Company**

Trade payables . . . . .	–	6,444	–	–	–	–	6,444
Amounts due to subsidiaries . . . . .	–	125,217	–	–	–	–	125,217
Financial liabilities included in other payables and accruals . . . . .	–	16,933	–	–	–	–	16,933
Lease liabilities . . . . .	–	47,665	41,913	29,863	23,443	22,795	165,679
Interest-bearing bank and other borrowings . . . . .	–	127,850	–	–	–	–	127,850
	–	324,109	41,913	29,863	23,443	22,795	442,123

**At 31 December 2022**

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>							
Trade payables . . . . .	–	5,105	–	–	–	–	5,105
Financial liabilities included in other payables and accruals . . . . .	–	20,346	–	–	–	–	20,346
Lease liabilities . . . . .	–	79,604	56,736	36,539	27,669	14,196	214,744
Interest-bearing bank and other borrowings . . . . .	–	140,356	–	–	–	–	140,356
	–	245,411	56,736	36,539	27,669	14,196	380,551

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>							
Trade payables . . . . .	–	3,852	–	–	–	–	3,852
Amounts due to subsidiaries . . . . .	–	95,844	–	–	–	–	95,844
Financial liabilities included in other payables and accruals . . . . .	–	19,553	–	–	–	–	19,553
Lease liabilities . . . . .	–	69,035	50,286	30,779	26,446	12,973	189,519
Interest-bearing bank and other borrowings . . . . .	–	135,218	–	–	–	–	135,218
	–	323,502	50,286	30,779	26,446	12,973	443,986

**At 31 December 2023**

	On demand	Within one year	One to two years	Two to three years	Three to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>							
Trade payables . . . . .	–	57,662	–	–	–	–	57,662
Financial liabilities included in other payables and accruals . . . . .	–	56,936	–	–	–	–	56,936
Lease liabilities . . . . .	–	114,726	86,676	61,414	23,113	8,412	294,341
Interest-bearing bank and other borrowings . . . . .	–	129,938	–	–	–	–	129,938
	–	359,262	86,676	61,414	23,113	8,412	538,877

**Company**

Trade payables . . . . .	–	52,128	–	–	–	–	52,128
Amounts due to subsidiaries . . . . .	–	48,099	–	–	–	–	48,099
Financial liabilities included in other payables and accruals . . . . .	–	49,920	–	–	–	–	49,920
Lease liabilities . . . . .	–	79,413	52,086	41,103	21,890	7,223	201,715
Interest-bearing bank and other borrowings . . . . .	–	129,938	–	–	–	–	129,938
	–	359,498	52,086	41,103	21,890	7,223	481,800

**Foreign currency risk**

The management believe the exchange risk of foreign currency is not significant as the majority of business transactions occur in Chinese Mainland and all domestic transactions are denominated in Renminbi (RMB).

**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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets . . . . .	1,168,970	1,291,212	2,158,547
Total liabilities . . . . .	398,658	421,643	643,131
Debt ratio . . . . .	34%	33%	30%

**37. EVENTS AFTER THE RELEVANT PERIODS**

The Group has no significant events subsequent to the end of the Relevant Periods.

**38. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2023 or at any future date.

	Consolidated net tangible assets attributable to owners of the Company as at 31 December 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2023	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2023	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2, 4)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$40.50 per Share . . . . .	1,512,539	663,208	2,175,747	13.42	14.74

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*Notes:*

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 were equal to the audited net assets attributable to owners of the Company as at 31 December 2023 of RMB1,515,416,000 after deducting intangible assets of RMB2,877,000 as of 31 December 2023 set out in the Accountants' Report in Appendix I in this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$40.50 per Share, after the deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) without taking into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 162,093,800 Shares are in issue assuming the Global Offering have been completed on 31 December 2023 without taking into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi ("RMB") at an exchange rate of HK\$1.00 to RMB0.91059 and the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at the same exchange rate. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.*



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**To the Directors of Laopu Gold Co., Ltd.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Laopu Gold Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2023, and related notes as set out on pages II-1 and II-2 of the prospectus dated 20 June 2024 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II in this prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2023 as if the transaction had taken place at 31 December 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2023, on which an accountants’ report has been published.

**Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

*Certified Public Accountants*  
Hong Kong  
20 June 2024



**PRC TAXATION****Taxation on Dividends***Individual Investors*

Under the provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), last amended on August 31, 2018, and the Regulations on Implementation 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》), last amended on December 18, 2018 (referred to as the “IIT Law”), dividends disbursed by Chinese enterprises are subject to a flat individual income tax rate of 20%. For foreign individuals who are not residents of China, dividends received from a Chinese enterprise are generally taxed at 20%, unless there are specific exemptions granted by the State Council’s tax authority or reductions under an applicable tax treaty.

Additionally, a specific tax treatment applies to dividends and bonuses received from listed companies, as outlined in the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015. According to this notice, individuals acquiring stocks of a listed company through public offering or the stock market are subject to different tax rates based on their holding period. If the holding period exceeds 1 year, the income from dividends and bonuses is exempt from individual income tax. If the holding period is 1 month or less, the full income from dividends and bonuses is included in taxable income. For holding periods between 1 month and 1 year, 50% of the income from dividends and bonuses is temporarily included in taxable income. The individual income tax rate on this income is a flat 20%.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), 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 both natural persons and legal entities. The tax levied shall not exceed 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 and meets certain conditions as the beneficial owner of the equity, the tax imposed 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 on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), in effect since December 6, 2019, introduces specific criteria determining entitlement to treaty benefits. According to this protocol, treaty benefits will not be granted if, upon careful consideration of all relevant facts and conditions, it is reasonably determined that

obtaining these benefits was a primary purpose of the arrangement or transactions, thereby providing direct or indirect benefits under the Arrangement. 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定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81). Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

### *Enterprise Investors*

Pursuant to the provisions outlined in the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), 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 in alignment with the Implementation Provisions 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 (collectively referred to as the "EIT Law"), it is established that a non-resident enterprise is generally liable to a 10% enterprise income tax on income sourced within the PRC. Such income includes dividends and bonuses received from a PRC resident enterprise. This taxation applies to non-resident enterprises that lack a physical establishment or premises in the PRC. Alternatively, if an establishment or premise exists within the PRC, but the PRC-sourced income is unrelated to said establishment or premise, it is subject to the aforementioned taxation.

The withholding tax for non-resident enterprises is mandated to be deducted at the source, whereby the entity making the payment assumes the role of the withholding agent. Consequently, the withholding agent is obligated to withhold the income tax from the payment or due payment each time it is disbursed or becomes due.

The Circular of the State Taxation Administration (STA) on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局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 and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident 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 that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it

distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government is authorized to impose taxes on dividends disbursed by a PRC company to Hong Kong residents, including both individuals and legal entities, 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, the tax shall not surpass 5% of the total dividends if the Hong Kong resident qualifies as the beneficial owner of the equity, and specific conditions are met.

Furthermore, the Fifth Protocol of 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 (《<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》), effective from December 6, 2019, introduces additional criteria for qualifying for treaty benefits. While other provisions may exist within the Arrangement, treaty benefits shall not be granted for relevant gains if, based on all relevant facts and conditions, it is reasonably determined that the main purpose of the arrangement or transactions, which result in direct or indirect benefits under the Arrangement, is to obtain such treaty benefits. This exception applies unless the grant of benefits aligns with the objectives and goals outlined in the Arrangement.

It is important to note that the application of the dividend clause of tax agreements is contingent upon compliance with PRC tax laws and regulations, including the guidelines provided 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定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

### ***Tax Treaties***

Non-resident investors residing in jurisdictions that have established treaties or arrangements for the avoidance of double taxation with the PRC may qualify for a reduction in the PRC enterprise income tax levied on dividends received from PRC companies. Currently, the PRC has entered into Avoidance of Double Taxation Treaties or Arrangements with several countries and regions, including the Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States.

Non-PRC resident enterprises eligible for preferential tax rates under these relevant taxation treaties or arrangements are required to submit an application to the PRC tax authorities for a refund of the enterprise income tax that exceeds the agreed tax rate. The approval of the refund application is subject to the evaluation and decision of the PRC tax authorities.

### **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) (referred to as “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.

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 Enterprise Income Tax (EIT) Law and the Implementation Provisions 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*

In compliance with the PRC Stamp Duty Law, as issued by the Standing Committee of the NPC on June 10, 2021, and enforced from July 1, 2022 (referred to as the "Stamp Duty Law"), all entities and individuals involved in securities transactions within the PRC are obligated to pay stamp duty as per the regulations outlined in the Stamp Duty Law. Consequently, the stipulations concerning stamp duty applied to the transfer of shares of PRC-listed companies do not extend to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

***Estate duty***

Under prevailing PRC legislation, there is presently no imposition of estate duty within the jurisdiction.

**Major Taxes on the Company in the PRC**

Please refer to the section headed “Regulatory Overview” of this prospectus.

**TAXATION IN HONG KONG****Tax on Dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

**Capital Gains Tax 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. The gains of 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.



**Estate Duty**

Estate Duty The Revenue (Abolition of Estate Duty) Ordinance 2005 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.

**FOREIGN EXCHANGE**

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with 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.

The Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》), the “Regulations on the Management of Foreign Exchange”), which was promulgated by the State Council on January 29, 1996 and effective on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange as amended on January 14, 1997 and August 5, 2008, the PRC will not impose any restriction on international current payments and transfers.

The 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 was promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies from July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

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項目等事項的決定》) (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項目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.

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 stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

**CIRCULAR 37**

The SAFE promulgated and implemented the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Circular 37”) on July 4, 2014. According to Circular 37, domestic residents, individuals and institutions, are required to complete the foreign exchange registration of overseas investment with the SAFE before they invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. In addition, such offshore special purpose vehicle must update their foreign exchange registration of overseas investment with the SAFE timely, after they underwent any change of basic information (including change of individual shareholders, name and operation term of domestic residents), or any change of material events relating to increasing or decreasing in investment, transferring or exchanging shares, or merger or division. Failure to comply with the registration procedures as set out in Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of profits and dividends. Domestic residents who invested in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of Circular 37, but failed to complete the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the SAFE. The SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the fore-said complementary registration, administrative penalty would be imposed in accordance with relevant laws.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, banks that have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and have opened the Capital Account Information System at the local foreign exchange regulatory authorities may directly handle the foreign exchange registration of direct investment for domestic foreign-invested enterprises and overseas enterprises’ domestic investors through the Capital Account Information System at the foreign exchange regulatory authorities, and the foreign exchange regulatory authorities shall perform indirect regulation over the foreign exchange registration of direct investment via banks.

**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.

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.

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.

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 Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies**

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, and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.



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.

On January 5, 2022, 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.

### ***General Provisions***

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

### ***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.



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.

***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.

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.

### *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.

#### ***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;
- (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.

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;
- (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;
- (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.

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;
- (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.

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 filing 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 filing 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.

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.

#### ***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.

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.

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.

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.

***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.

**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.

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.

**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, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

**SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC  
COMPANY LAW**

The Hong Kong laws applicable to a company incorporated in Hong Kong are 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 apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking an initial listing of shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.



Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing in accordance with the Company Law. This summary is, however, not intended to be an exhaustive comparison.

### **Corporate Existence**

Under the Hong Kong laws, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its 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 certain pre-emptive provisions. A public company's Articles of Association do not contain such pre-emptive provisions.

According to the Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The minimum registered capital of a joint stock limited company is not required, unless otherwise provided by laws, administrative regulations and the decisions of the State Council, for the paid-up registered capital and the minimum registered capital of a joint stock limited company.

Hong Kong laws do not prescribe any minimum registered capital requirements for a Hong Kong company.

### **Share Capital**

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved at the general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).



Under the Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong laws do not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

According to the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong laws.

### **Restrictions on Shareholding and Transfer of Shares**

Under the PRC law, the Unlisted Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the 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 a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association of a Company may set other restrictive requirements on the transfer of a company's shares held by, its directors, supervisors and senior management of the company. There are no such restrictions on shareholdings and transfers of shares under Hong Kong laws apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our group of Controlling Shareholders to the Stock Exchange.

**Notice of General Meeting**

According to the Company Law, notice of annual general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a general meeting must be made at least 30 days prior to the meeting.

For a limited company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company.

**Quorum for General Meetings**

The Company Law does not specify any quorum requirement for a general meeting.

Under the Hong Kong laws, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For a single member company, one member is a quorum.

**Voting at General Meetings**

According to the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the Articles of Association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' general meeting.

Under the Hong Kong laws, (i) an ordinary resolution is 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 is 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 Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation; (ii) with the consent in writing of shareholders of at least three-fourths of the total voting rights of shareholders of the relevant class or (iii) if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

**Directors**

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

**Board of Supervisors**

According to the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong.

**Derivative Action by Minority Shareholders**

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

According to the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its Articles of Association, resulting in losses to the company, shareholders individually or jointly holding over 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 violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at 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 proceeding may cause irreparable damages to 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 Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

**Protection of Minorities**

Under the Hong Kong laws, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to 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 Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

The Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

**Financial Disclosure**

According to the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' general meeting. In addition, a joint stock limited company of which the public offering Shares are offered must publish its financial report. The Hong Kong laws require a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable fee) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong laws.

**Receiving Agents**

According to the Hong Kong laws, dividends once declared by the board of directors will become debts payable to shareholders. Under the Hong Kong laws, the limitation period for an action to demand repayment of a debt is six years, whereas the Civil Code provides that the limitation period for an action to be taken is three years.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its 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.

According to the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at general meeting.

**Statutory Deductions**

According to the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' general meeting. There are no such requirements under Hong Kong laws.

**Remedies of Company**

According to the Company Law, if a director, supervisor or senior management 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 senior management should be responsible to the company for such damages.

The Listing Rules require listed companies' Articles of Association to provide for remedies of the company 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).

**Dividend**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

**Closure of Register of Members**

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 in certain circumstances) in a year. Unless otherwise stipulated by laws, share transfers shall not be registered within 20 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

This appendix sets out the summary of the principal provisions of the Articles of Association. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix VII to this prospectus, the full Chinese text of the Articles of Association is available for inspection.

## **SHARES**

### **Shares and Registered Capital**

The Company shall have ordinary shares. The shares of the Company shall take the form of share certificates. All the shares issued by the Company are denominated in RMB, with a nominal value of RMB1 per share.

The shares of the Company shall be issued in a transparent, fair and equal manner, and shall rank *pari passu* with the shares of the same class.

The terms and price of each share of the same class in the same issue shall be the same, and every share subscribed by any entity or individual in the same issue shall have the same price.

### **Increase and Decrease of Shares**

#### ***Increase of Capital***

The Company may, upon resolution by the shareholders’ general meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

- (I) public offering of shares;
- (II) non-public offering of shares;
- (III) distribution of bonus shares to existing shareholders;
- (IV) conversion of the reserve fund to additional share capital;
- (V) other means as permitted by laws, administrative regulations and approved by the securities regulatory authorities of the place where the Company’s shares are listed, HKEX and CSRC.

***Capital Reduction***

The Company may decrease its registered capital in accordance with the Articles of Association. If the Company reduces its registered capital, such reduction shall be made in accordance with the procedures stipulated in the PRC Company Law, the regulatory rules of the securities regulatory authorities of the place where the Company's shares are listed and other related regulations and the Articles of Association.

When reducing its registered capital, the Company must prepare balance sheet and a list of assets.

The Company shall notify its creditors within ten days from the date of the resolution on the registered capital reduction and shall publish an announcement on the newspaper(s) within 30 days. A creditor has the right, within 30 days from the receipt of such notice; or, for creditors who do not receive the notice, within 45 days from the date of the announcement, to request the Company to pay its debts or to provide corresponding guarantee for such debts.

The registered capital of the Company after its reduction shall not be less than the statutory minimum amount. In addition, if the Company increases or reduces registered capital, it shall complete the registration for changes with the company registration authorities pursuant to the laws.

**Buy-back of Share**

The Company may, in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association, repurchase the shares of the Company in the following circumstances:

- (I) cancellation of shares to reduce the registered capital of the Company;
- (II) merging with other companies holding the shares of the Company;
- (III) the shares are to be used for employee share ownership plan or equity incentives;
- (IV) any shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests the Company to purchase his/her shares;
- (V) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;
- (VI) it is necessary for the Company to maintain corporate value and shareholders' interests;



- (VII) other circumstances in which the shares of the Company can be acquired pursuant to the laws, administrative regulations, departmental rules, regulatory documents, and relevant regulations of the place where the Company's shares are listed.

Except for the circumstances set out above, the Company shall not acquire the Shares of the Company.

The Company's acquisition of the shares of the Company can be made by public and centralized transaction, or other methods recognized by laws, administrative regulations and relevant regulatory authorities. Where the Company acquires its own shares due to the circumstances stipulated in item (III), (V) or (VI) above, it should be made by public and centralized transaction.

The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (I) and (II) above shall be subject to a resolution of the general meeting. The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (III), (V) and (VI) above may, pursuant to the Articles of Association or the authorization of the general meeting, be subject to a resolution of a Board meeting at which more than two-thirds of Directors are present.

Under the circumstance stipulated in item (I), the shares of the Company so acquired shall be canceled within ten days from the date of acquisition; under the circumstances stipulated in either item (II) or item (IV) above, the shares of the Company so acquired shall be transferred or canceled within six months; under the circumstances stipulated in item (III), (V) or (VI), the total shares of the Company held by the Company shall not exceed 10% of the Company's total outstanding Shares, and shall be transferred or canceled within 3 years.

If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed regarding the relevant matters of the repurchase of the Shares, the latter shall prevail.

#### **Financial Assistance for the Purchase of the Shares of the Company**

The Company or its subsidiaries (including the Company's affiliated enterprises) shall not provide any financial assistance, in the form of gift, advance, guarantee, compensation or loans, to any person that purchases or plans to purchase the shares of the Company.

#### **Share Transfer**

Shares of the Company are legally transferable.

The Company refuses its own stocks as the subject matter of pledge right.

Shares of the Company held by the promoters shall not be transferred within one year from the Company's establishment. The Shares which have already been issued prior to the Company's public offering shall not be transferred within one year after the Company's stocks are listed at the stock exchange.

The directors, supervisors and senior management of the Company shall report to the Company the shares held by them in the Company and any alterations to the shares so held, and the shares transferred each year by them during their terms of office shall not exceed 25% of their total shares of the same type in the Company; the shares of the Company held by them shall not be transferred within one year after the Company's stocks are listed. The aforesaid persons shall not transfer the shares of the Company held by them for the period of six months after they leave the Company.

When any shareholder, holding more than 5% of the company's shares, of the Company or any director, supervisor, senior management of the company disposes of his/her/its shares or other securities with an equity nature in the company within 6 months of purchase, or purchases shares in the Company again within six months after disposal, the proceeds derived therefrom shall be retained for the benefit of the company and be revoked by the Board of Directors of the Company. However, the disposals by brokerage companies holding more than 5% of the shares in the Company due to the fact that their underwritten shares remain unsubscribed and other circumstances stipulated by the CSRC shall not be subject to the restriction.

The shares or other securities with an equity nature held by any director, supervisor, senior management and natural person shareholder referred to in the preceding paragraph shall include the shares or other securities with an equity nature held by their spouses, parents and children, and those held through others' accounts.

## **SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS**

### **Shareholders**

#### ***Register of Members***

The Company shall maintain a register of shareholders with the evidence provided by the securities registration institution, and the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy rights and assume obligations according to the class of shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The original part of the shareholders' register of overseas listed foreign shares related to the holders of shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong.

*Rights and Obligations of Shareholders*

The shareholders of the Company shall have the following rights:

- (I) to receive dividends and profit distributions in any other form in proportion to the shares they hold;
- (II) to lawfully require, convene, preside over or attend general meetings either in person or by proxy, speak at the general meetings and exercise the corresponding voting right;
- (III) to supervise, manage, make recommendations or make inquiries about the operations of the Company;
- (IV) to transfer, bestow or pledge shares held by them in accordance with laws, relevant requirements of the securities regulatory authorities of the place where the Company's shares are listed and provisions of the Articles of Association;
- (V) to inspect the Articles of Association, register of members, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- (VI) in the event of the termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the shares held by them;
- (VII) to require the Company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the Company;
- (VIII) Check the Hong Kong branch of the Company's shareholder register, but the company may suspend shareholder registration procedures in accordance with the provisions equivalent to Article 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
- (IX) to enjoy other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

If any shareholder proposes to inspect the relevant information mentioned in the preceding article or asks for information, the said shareholder shall provide the Company with written documents bearing evidence of the class and number of shares held by the said shareholder, and the Company will provide the information as required by the said shareholder upon verification of the said shareholder's identity.

If any resolution of the general meeting or the Board of Directors of the Company violates the laws or administrative regulations, the shareholders shall have the right to request the people's court to invalidate the resolution.

If the convening procedure or voting method of the general meetings or Board of Directors meetings violates the laws, administrative regulations or the Articles of Association or the contents of a resolution run counter to the Articles of Association, the shareholders shall have the right to request the people's court to cancel such resolution within sixty days after passing the resolution.

Where the Company incurs losses as a result of violation by directors, supervisors and members of the senior management of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company, the shareholders individually or in aggregate holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to request in writing the Board of Supervisors to initiate proceedings to the People's Court; where the Company incurs losses as a result of violation by the Board of Supervisors of any provisions of laws, administrative regulations or the Articles of Association in the course of performing its duties with the Company, such shareholders may make a request in writing to the Board of Directors to initiate proceedings to the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraph, or fails to initiate such proceedings within 30 days from the date of receiving such request, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the preceding paragraph shall have the right to for the benefit of the Company initiate proceedings to the People's Court directly in their own names.

Where the Company incurs losses as a result of infringement upon the legitimate rights and interests of the Company by any other persons, the shareholders stated in the preceding paragraph may initiate proceedings to the People's Court pursuant to the provisions of the first two paragraphs.

Shareholders may initiate proceedings to the People's Court in the event that a director or a senior management officer has violated laws, administrative regulations or the Articles of Association, damaging the interests of shareholders.

The shareholders of the Company shall have the following obligations:

- (I) to observe laws, administrative regulations and the Articles of Association;
- (II) to pay capital contribution as per the shares subscribed for and the method of subscription;

- (III) not to withdraw shares unless in the circumstances stipulated by laws and regulations;
- (IV) not to abuse shareholder's right to harm the interests of the Company or other shareholders; not to abuse the Company's position as an independent legal person or shareholder's limited liability protection to harm the interests of the creditors of the Company;
- (V) to fulfil other obligations stipulated by laws, administrative regulations and the Articles of Association.

If any shareholder of the Company abuses his/her shareholder's right, thereby causing any loss to the Company or other shareholders, the said shareholder shall be liable for compensation according to law. If any shareholder of the Company abuses the Company's position as an independent legal person or shareholder's limited liability protection for the purpose of evading repayment of debts, thereby seriously damaging the interests of the creditors of the Company, the said shareholder shall bear joint and several liabilities for the Company's debts.

If any shareholder holding more than 5% voting shares of the Company pledges the said voting shares, the said shareholder shall submit a written report to the Company on the date on which the said pledge is executed.

#### ***Restriction on Rights of the Controlling Shareholders***

The controlling shareholder(s) or the de facto controller(s) of the Company shall not impair the interests of the Company by making use of their connected relationship. They shall be liable for damages if, as a result of violating the regulation, they cause the Company to sustain a loss.

The controlling shareholder and the de facto controllers of the Company shall bear the fiduciary duty toward the Company and retail shareholders. The controlling shareholder shall exercise his or her rights as an investor in strict compliance with relevant laws. It may not use such means as profit distribution, asset restructuring, external investment, capital occupation, loan guarantee, etc., to damage the legitimate rights and interests of the Company and retail shareholders, as well as not to make use of its controlling status to damage the interests of the Company and retail shareholders.

#### **The General Meeting**

The general meeting is the body by which the Company exercises its powers, and shall exercise the following powers in accordance with the law:

- (I) to decide on the business strategies and investment plans of the Company;

- (II) to elect and replace directors and supervisors whose posts are not taken by employee representatives, and to decide on matters regarding the remuneration of directors and supervisors;
- (III) to consider and approve reports of the board of directors;
- (IV) to consider and approve reports of the board of supervisors;
- (V) to consider and approve annual financial budget proposals and final accounts proposals for the Company;
- (VI) to consider and approve plans for the distribution of company profits and plans to cover losses;
- (VII) to adopt resolutions on any increase or reduction in the registered capital of the Company;
- (VIII) to pass resolutions on the issuance of company bonds;
- (IX) to adopt resolutions on matters such as any merger, breakup, dissolution or liquidation of the Company or any change in the legal form of the Company;
- (X) to amend the Company's Articles of Association;
- (XI) to adopt resolutions on the Company's appointment or dismissal of accounting firms;
- (XII) to consider and approve the transactions and guarantee matters prescribed in the Articles of Association and the rules of procedure for the general meeting;
- (XIII) to consider the purchase or sale in any one year of material assets valued in excess of 30% of the Company's total assets as audited in the latest period;
- (XIV) to consider and approve changes in the use of funds raised;
- (XV) to consider equity incentive plans and employees stock ownership plans; and
- (XVI) to consider other matters to be decided by the general meeting as prescribed in laws, administrative regulations, departmental rules, Hong Kong Listing Rules or the Articles of Association.

The general meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within 6 months after the end of the previous accounting year.

The Company shall hold an interim general meeting within two months of the occurrence of any of the following circumstances:

- (I) where the number of directors falls below the number prescribed in the Company Law or below two-thirds of the number prescribed in the Articles of Association;
- (II) where the Company's unfunded losses reach one-third of total share capital paid in;
- (III) where shareholders who individually or jointly hold no less than 10% of the Company's stock request holding of such a meeting;
- (IV) where the board of directors deems it necessary;
- (V) where the board of supervisors proposes such a meeting;
- (VI) in any other circumstances prescribed by laws, administrative regulations, departmental rules or the Articles of Association.

***Convening of General Meetings***

A general meeting shall be convened by the Board of Directors unless otherwise specified in the Articles of Association.

Any independent non-executive director may propose to the board of directors that an interim general meeting be held. Where an independent non-executive director proposes that an interim general meeting be held, the board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees that an interim general meeting should be held within ten days of receiving the proposal. Where the board of directors agrees to hold an interim general meeting, it shall send out a general meeting notice within five days of making its resolution; where the board of directors declines to hold an interim general meeting, its reasons shall be given and announced.

The board of supervisors may propose to the board of directors that an interim general meeting be held and shall make any such proposal to the board of directors in writing. The board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees that an interim general meeting should be held within ten days of receiving the proposal.

Shareholder(s) who individually or jointly hold 10% or more of the Company shares shall have the right to propose that the board of directors hold an interim general meeting; any such request to the board of directors shall be made in writing. The board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees that an interim general meeting should be held within ten days of receiving any such request.

***Proposal and Notification of General Meeting***

When the Company holds a general meeting, the board of directors, the board of supervisors and shareholders independently or jointly holding no less than 3% of the Company stock shall have the right to put proposals to the Company.

Shareholders independently or jointly holding no less than 3% of the Company shares may, ten days before the general meeting is held, put forward interim proposals and submit such proposals in writing to the conveners. The conveners shall, within two days of receiving any such proposal, send out a supplementary general meeting notice announcing the details of the interim proposal.

If the general meeting needs to be postponed due to the issuance of supplementary notice of the general meeting in accordance with the securities regulatory rules of the place where the company's shares are listed, the convening of the general meeting shall be postponed in accordance with the securities regulatory rules of the place where the company's shares are listed.

Except the circumstances prescribed in the preceding paragraph 2, the conveners shall not modify or add any new proposal to the proposals listed in the general meeting notice after sending it out.

The general meeting shall not vote or make resolutions on proposals not listed in the general meeting notice or proposals that do not satisfy the criteria prescribed in the preceding paragraph.

***Notification of Shareholders' General Meeting***

The convener shall inform each shareholder of the annual general meeting in form of announcement 21 days before the meeting and shall inform each shareholder of the extraordinary general meeting in form of announcement 15 days or 10 business days (based on a relatively long period of time) before the meeting. If the laws, regulations, and securities regulators in the securities regulatory authority of the place where shares of the Company are listed have regulations otherwise, such regulations shall prevail.

When calculating the starting date, the date of the meeting shall be excluded, but the date of the announcement set out in the convening notice of the meeting shall be included.

The notice of the general meeting shall be in writing and include the following contents:

- (I) the time, venue, and duration of the meeting;
- (II) matters and proposals to be considered at the meeting;



- (III) a prominent written statement as follows: all common shareholders have the right to attend the general meeting, and may authorize in written form a proxy, who need not necessarily be a company shareholder, to attend and vote at the meeting;
- (IV) the equity registration date for determining those shareholders who have the right to attend the general meeting;
- (V) the names and telephone numbers of the permanent contact persons;
- (VI) voting time and voting procedures online or by other means.

The specific details of all proposals shall be adequately and fully disclosed in all general meeting notices and supplementary notices. Where matters to be discussed require independent directors' opinions, the opinions and reasons given by the independent directors shall be disclosed when the general meeting notice or supplementary notice is issued.

#### ***Convening of Shareholders' General Meetings***

All shareholders registered in the list on the equity registration date and their proxies shall be entitled to attend the general meeting and exercise their voting rights in accordance with laws, regulations and the Articles of Association, unless individual shareholders are required by the Hong Kong Listing Rules to waive their voting rights on certain matters.

Shareholders may attend the general meeting in person or authorize proxies to attend and vote on their behalf. Any shareholder who has the right to attend and vote at a shareholder meeting has the right to appoint one or more persons (who may not be a shareholder) as their proxy to attend and vote on their behalf.

Individual shareholders who attend the meeting in person shall present their identity cards or other valid certificates that prove their identities, in addition to their stock account cards; proxies who attend the meeting on behalf of others shall present their valid identity certificates and shareholder proxy statements.

For legal person shareholders, their legal representatives or authorized proxies shall attend the meeting on their behalf. Legal representatives who attend the meeting shall present their identity cards and valid certificates proving their qualifications as legal representatives; proxies who attend the meeting on behalf of shareholders shall present their proxy identity cards and written proxy statements lawfully issued by the legal representatives of the legal person shareholders in question.

Shareholders are organized by non-legal person, the person in charge of the organization or a proxy authorized by the person in charge shall attend the meeting. Such person in charge of the organization attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the person in charge. Proxies authorized to attend the meeting shall present their personal identity cards or the authorization letter legally issued by the person in charge of the organization.

The general meeting shall be presided over by the chairman of the board of directors. Where the chairman of the board is unable or fails to fulfill his duties, the meeting shall be presided over by a director jointly elected by an absolute majority of directors.

Any general meeting convened by the board of supervisors shall be presided over by the chairman of the board of supervisors. Where the chairman of the board of supervisors is unable or fails to fulfill his duties, the meeting shall be presided over by a supervisor jointly elected by an absolute majority of supervisors.

Any general meeting convened by shareholders shall be presided over by a representative elected by the conveners.

When the general meeting is being held, if the meeting cannot continue due to the meeting chair's violation of any procedural rule, the general meeting may, subject to the consent of shareholders who hold an absolute majority of the voting rights represented at the live general meeting, elect someone to act as meeting chair, following which the meeting may continue.

#### ***Voting and Resolutions at Shareholders' General Meeting***

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by an absolute majority of the voting rights represented by shareholders (including shareholder proxies) in attendance at the general meeting.

Special resolutions of the general meeting shall be passed by more than two-thirds of the voting rights represented by shareholders (including shareholder proxies) in attendance at the general meeting.

The following matters shall be passed by an ordinary resolution of the general meeting:

- (I) work reports of the board of directors and the board of supervisors;
- (II) plans for the distribution of company profits and plans to cover losses as drafted by the board of directors;
- (III) the appointment and dismissal of members of the board of directors and the board of supervisors, along with the remuneration of and payments to such members;
- (IV) the annual financial budget and final accounts for the Company;
- (V) the Company's annual report;

- (VI) appointment and dismissal of accounting firms, determining the remuneration of accounting firms;
- (VII) the Company intends to engage in connected transactions with related parties with an amount of over RMB30 million and accounting for more than 5% of the absolute value of the Company's latest audited net assets;
- (VIII) change the investment project with raised funds;
- (IX) any other matter other than those required by laws, regulations or the Articles of Association to be passed by special resolution.

The following matters shall be passed by a special resolution of the general meeting:

- (I) any increase or reduction in the registered capital of the Company;
- (II) any proposed split, breakup, merger, dissolution or liquidation of the Company (including voluntary liquidation);
- (III) amendments to the Company's Articles of Association;
- (IV) any purchase or sale of major assets or the provision of guarantees within any one year in an amount in excess of 30% of the Company's total assets as audited in the latest period;
- (V) any equity incentive plan;
- (VI) other matters that are required by laws, regulations or the Articles of Association or that are determined by an ordinary resolution of the general meeting to have a substantial impact on the Company shall be considered and decided by special resolutions;
- (VII) other matters that are required by HKEX.

Shareholders (including shareholder proxies) shall exercise their voting rights according to the number of voting shares they represent. Each shareholder should have one vote for each share. When voting on stocks, shareholders (including shareholder proxies) who have two or more voting rights do not need to cast all voting rights in favor or against.

Shares held by the Company itself shall have no voting rights and shall not be included in the total number of voting shares held by shareholders in attendance at the general meeting.

The connected/related shareholders shall not participate in voting, with its number of shares with voting rights represented by them not to be counted in the total number of valid votes, when the Shareholders' general meeting is reviewing the relevant connected/related transaction if required by applicable laws, regulations, normative documents or the Hong Kong Listing Rules; the announcement of the resolution of the Shareholders' general meeting shall fully disclose the votes of the non-connected/non-related Shareholders.

## **DIRECTORS AND BOARD OF DIRECTORS**

### **Directors**

Directors shall be elected, replaced by the general meeting. The directors serve a term of office of 3 years and may be reelected and reappointed after the expiration of the term of office. But the independent non-executive directors shall not serve a term of office for more than 9 years. The general meeting may, on the premise of complying with relevant laws, administrative regulations, departmental rules, normative documents, and the listing rules of the stock exchange where the company's shares are listed, remove any director whose term of office has not expired by ordinary resolution (but any claims that may be made under any contract shall not be affected by this).

The term of office of a director shall start from the date on which he takes office and end on the expiration of the current term for the board of directors. Where reelection procedures are not carried out in a timely manner on the expiration of the directors' term of office, before the newly elected directors take office, the original directors shall perform their directors' duties in accordance with laws, regulations, departmental rules, the listing rules of the stock exchange where the company's shares are listed, and the Articles of Association.

The manager and other senior officers may concurrently serve as directors to the extent that the total number of directors concurrently serving as managers or other senior officers and the directors that are acted by staff representative shall not exceed 50% of the total number of the Company's directors.

Directors shall abide by laws, administrative regulations and the Articles of Association, and shall have fiduciary duties and due diligence duties to the Company.

### **Board of Directors**

The board of directors shall consist of 7 directors, at least one-third of which are Independent Non-executive Directors and no less than 3. The board of directors shall have a chairman.

The board of directors shall exercise the following powers:

- (I) to convene the general meeting and present reports thereto;

- (II) to implement resolutions adopted by the general meeting;
- (III) to determine the Company's operating plans and investment programs;
- (IV) to draft the Company's annual financial budget and final accounts plan;
- (V) to draft plans for the distribution of company profits and plans to cover losses;
- (VI) to draft plans relating to any increase or reduction in registered capital, the issuance of bonds or other securities, or listing;
- (VII) to draft plans for the Company's major purchases, the purchase of company stock, or any merger, breakup, change of corporate form or dissolution of the Company;
- (VIII) to determine, within the scope of the powers granted by the general meeting, matters including the Company's external investments, the sale and purchase of assets, asset mortgages, external guarantees, third party financial management, related-party transactions, donation to other organizations, among other matters;
- (IX) to determine the establishment of the Company's internal management structure;
- (X) to decide on matters such as appointment or dismissal of the Company's general manager, secretary to the board of directors and other senior officers and on their compensation and incentives/disincentives; to decide on appointment or dismissal of the Company's deputy managers, finance manager and other senior officers as nominated by the general manager and on their remuneration and incentives/disincentives;
- (XI) to formulate the Company's basic management systems;
- (XII) to formulate plans to amend the Articles of Association;
- (XIII) to manage the disclosure of information by the Company;
- (XIV) to make proposals to the general meeting on the appointment or replacement of the accounting firm that audits the Company;
- (XV) to hear work reports given by the general manager of the Company and oversee the general manager's work;
- (XVI) any other power granted by laws, regulations, departmental rules, the listing rules of the stock exchange where the company's shares are listed, or the Articles of Association.

The Board of Directors of the Company shall establish special committees, including the audit committee, the nomination committee, and the remuneration and evaluation committee, and the strategy development committee as necessary. The special committees shall be accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The proposals of the committees shall be submitted to the Board of Directors for approval. All members of the special committees shall be directors, among which audit committee shall only be non-executive directors and consist of at least three members. The majority of its members shall be independent non-executive directors, at least one of whom shall be an independent non-executive director with the appropriate qualifications as provided for in the Hong Kong Listing Rules or the appropriate accounting or relevant financial expertise, and its convener, or chairman, shall be an independent non-executive director. The majority of the members of the remuneration and evaluation committee must be independent non-executive directors and its convener, or chairman, must be an independent non-executive director. The convener, or chairman, of the nomination committee must be the chairman of the Board or an independent non-executive director, and the majority of the members also must be independent non-executive directors. In accordance with its requirements, the Board may set up other committees and reshuffle existing committees. The Board of Directors is responsible for formulating the rules of the special committees to regulate their operation.

No meeting of the board of directors shall be held unless attended by an absolute majority of directors. Any resolution adopted by the board of directors shall require affirmative votes by an absolute majority of directors.

When voting on board of directors' resolutions, one director shall have one vote.

Where a director has a connected relationship with any enterprise involved in a resolution to be voted on at a meeting of the board of directors, the director concerned shall not exercise his voting rights for that resolution, nor shall he exercise voting rights on behalf of any other director. The relevant meeting of the board of directors shall not be held unless attended by an absolute majority of directors without a connected relationship with any such enterprise, and any resolution made at the meeting must be voted for by a majority of directors without any such relationship to be passed. Where the number of directors without any such connected relationship attending the meeting is less than three, the matter shall be submitted to the general meeting for consideration.

#### **The Secretary of the Board of Directors**

Listed companies shall appoint a secretary to the board of directors, who shall be responsible for preparing for general meetings and meetings of the board of directors, the retention of documents, the management of shareholder materials, the disclosure of information, etc. The secretary to the board of directors shall be deemed to be the senior officers of the Company, and shall abide by laws, administrative regulations, departmental rules and the Articles of Association.

**General Manager and Other Senior Management Personnel**

The Company shall appoint one manager, who shall be appointed or dismissed by the board of directors.

The Company shall appoint several deputy managers, one chief financial officer, one secretary of the board of directors, who shall be appointed or dismissed by the board of directors.

The general manager, the deputy managers, the chief financial officer and the secretary of the board of directors shall be deemed to be the senior officers of the Company.

The general manager shall report to the board of directors and shall exercise the following powers:

- (I) to manage the Company's production and operations, and organize the implementation of board resolutions;
- (II) to organize the implementation of the Company's annual operating plans and investment programs;
- (III) to draft the plan for the Company's internal management structure;
- (IV) to formulate the Company's basic management systems;
- (V) to formulate detailed company rules;
- (VI) to make recommendations to the board of directors on the appointment or removal of any deputy manager or the finance manager;
- (VII) to appoint or remove officers of the Company other than those to be appointed or removed by the board of directors; and
- (VIII) any other power granted by the Articles of Association and the board of directors.

The manager shall be present at board meetings without voting rights.

**SUPERVISORS COMMITTEE****Supervisors**

The term of office of a supervisor shall be three years. On the expiration of his term of office, the same supervisor may be reelected and serve another term of office.

No director, manager or other senior officer shall concurrently act as a supervisor.

**Supervisors Committee**

The Company shall establish a board of supervisors. The board of supervisors shall consist of 3 supervisors, shall have a chairman. The chairman and the vice-chairman shall be elected by no less than two-thirds supervisors. The chairman shall convene and preside over meetings of the board of supervisors. Where the chairman is unable to exercise his powers or fails to do so, a director jointly nominated by an absolute majority of directors shall convene and preside over meetings of the board of supervisors.

The board of supervisors shall be composed of shareholder representatives, external supervisors, and an appropriate proportion of company employee representatives. The number of employee representatives shall be no less than one-third of all supervisors. The external supervisor in the supervisory board refers to a supervisor who does not hold any position other than a company supervisor, except for shareholder representative supervisors and internal supervisors. Shareholder representative supervisors are nominated by shareholders who individually or jointly hold more than 3% of the company's shares, while external supervisors are nominated by the supervisory board and elected or replaced by the general meeting. Employee representatives on the board of supervisors shall be democratically elected by employees through the employee representative congress, the employee congress, or any other means.

The board of supervisors shall exercise the following powers:

- (I) to examine and give written examination opinions on the Company's regular reports prepared by the board of directors;
- (II) to review the financial affairs of the Company;
- (III) to monitor the conduct of the directors or senior officers in the course of performing their duties and to propose the recall of any director or senior officer who violates any law or administrative regulations, or the Articles of Association;
- (IV) to require any director or senior officer who damages the Company's interests to take remedial action;
- (V) to propose interim general meetings, and to convene and preside over a general meeting when the board of directors fails to perform its duty to convene and preside over a general meeting as prescribed in the Company Law;
- (VI) to submit proposals to the general meeting;
- (VII) to file a suit against any director or senior officer of the Company in accordance with the provisions of Article 151 of the Company Law; and
- (VIII) to undertake an investigation on discovering any irregularities in the operation of the Company and, where necessary, engage an accounting firm to assist in any such investigation at the expense of the Company.



The board of supervisors shall hold meetings no less than once every six months. An interim meeting may be convened at the request of the supervisors.

Resolutions of the board of supervisors shall be adopted by no less than two-thirds supervisors.

## **FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT**

### **Financial Accounting System and Profit Distribution**

The Company shall formulate its own financial and accounting system in accordance with laws, administrative regulations and the provisions of relevant state departments.

The Company shall submit and disclose its annual report to the CSRC and the relevant stock exchange(s), within four months from the end of each accounting year, and submit and disclose its interim report to the dispatched office of the CSRC and the stock exchange(s) where the Company's shares are listed, within two months from the end of the first half of each accounting year. The aforesaid annual and interim reports shall be formulated in accordance with applicable laws, administrative regulations and relevant rule.

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund. Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the general meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the general meeting or the board of directors, in violation of the preceding paragraph, distributes profits to the shareholders before covering company losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company.

Profits shall not be distributed to company shares held by the Company itself.

**Audit**

The Company shall implement an internal audit system and arrange for full-time auditors to supervise the internal auditing of the Company's financial revenue and expenditure, as well as its economic activities.

The Company shall appoint an accounting firm that complies with the Securities Law and the rules of the place where the Company's shares are listed to provide services such as the audit of financial statements, the verification of net assets and other relevant consultancy services. The term of appointment shall be one year, starting from the end of the current annual general meeting of the company and ending at the end of the next annual general meeting, and may be renewed.

The appointment of the accounting firm of the Company shall be determined by the Shareholders' general meeting, and the Board shall not appoint an accounting firm before the decision of the Shareholders' general meeting.

**Notices and Announcements**

Company notices shall be served by any of the following means:

- (I) by announcement;
- (II) by personal delivery;
- (III) by express delivery;
- (IV) by e-mail;
- (V) by fax;
- (VI) by posting on the websites designated by the Company and the Hong Kong Stock Exchange, subject to laws, administrative regulations and listing rules of the stock exchange where the Company's shares are listed;
- (VII) other forms stipulated by laws, administrative regulations or other normative documents, the approval of the relevant regulatory authority of the place where the shares of the Company are listed, or the Articles of Association of the Company.

**DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The Company may be dissolved for any of the following reasons:

- (I) the operating term prescribed in the Articles of Association has expired, or any other grounds for dissolution prescribed in the Articles of Association have arisen;
- (II) the general meeting has adopted a resolution to dissolve the Company;
- (III) dissolution is required due to a merger involving the Company or the breakup of the Company;
- (IV) the Company's business license has been lawfully revoked, or the Company has been ordered to close down or wound up; or
- (V) where serious difficulties have arisen in the operation of the Company and the continuation of the Company would certainly damage the shareholders' interests to a significant extent; however, where any such scenario cannot be resolved through other channels, shareholders representing more than 10% of all voting rights may petition the people's court to dissolve the Company.

Where the circumstances described in Item (I) of Article 189 apply to the Company, it may amend its Articles of Association to continue its existence.

Any amendment made to the Articles of Association pursuant to the preceding paragraph shall be adopted by no less than two-thirds of all voting shareholders in attendance at the relevant general meeting.

Where the Company is to be dissolved pursuant to Items (I), (II), (IV) or (V) of the preceding paragraph, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of directors or members determined by the general meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its creditors may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

The liquidation committee shall notify creditors within ten days of its establishment, and shall make a public announcement on newspaper within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor does not receive the notice.

In filing their claims, creditors shall provide all relevant details relating thereto and provide supporting materials. The liquidation committee shall make records of such claims.

The liquidation committee shall not pay out on any creditors' claims while such claims are still being filed.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the general meeting or the people's court for ratification.

After paying all liquidation expenses, staff wages and labor insurance expenses, outstanding taxes, and company debts, the remaining assets shall be distributed to the shareholders in proportion to their respective shareholdings.

During the liquidation, the Company shall continue in existence, but shall not carry on any business unconnected to the liquidation. The assets of the Company shall not be distributed to its shareholders before payments have been made in accordance with the preceding provisions.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall file a bankruptcy petition with the people's court in accordance with the law.

Once the people's court has ruled that the Company be adjudicated bankrupt, the liquidation committee shall transfer the liquidation of the Company to the people's court.

On completion of the Company's liquidation, the liquidation committee shall prepare a liquidation report, which shall be submitted to the general meeting or the people's court for ratification, and upon ratification, the liquidation committee shall submit the report to the Company registration authority to apply for company deregistration, and make a public announcement on the winding-up of the Company.

#### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company shall amend its Articles of Association under any of the following circumstances:

- (I) where, following any amendment to the Company Law or other applicable laws and administrative regulations, the regulatory rules of the securities regulatory authorities of the place where the Company's shares are listed, the provisions of the Articles of Association conflict with the revised laws, administrative regulations and/or the regulatory rules of the securities regulatory authorities of the place where the Company's shares are listed;

(II) where the Company's circumstances change to such an extent that they are inconsistent with what is recorded in the Articles of Association; or

(III) where the general meeting decides to amend the Articles of Association.

Where it is necessary to have any amendment to the Articles of Association that has been adopted by a resolution of the general meeting approved by the competent authorities, the relevant amendment shall be submitted to the competent authorities for approval; where the amendment involves a company registration item, the Company's registration shall be amended in accordance with the law.

**FURTHER INFORMATION ABOUT OUR COMPANY****1. Establishment of Our Company**

Our Company was established as a limited liability company in the PRC on December 5, 2016 and was converted into a joint stock company with limited liability on November 25, 2019 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB142,642,500.

Our Company has established a place of business in Hong Kong at 19th Floor, Golden Centre, 188 Des Voeux Road Central, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 1, 2023. Ms. LI Ching Yi has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company was established in the PRC, we 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 Appendices IV and V to this prospectus.

**2. Changes in Share Capital of Our Company**

On December 5, 2016, our Company was established as a limited liability company with a registered capital of RMB50,000,000. On November 25, 2019, our Company was converted into a joint stock company with limited liability and renamed as Laopu Gold Co., Ltd. (老鋪黃金股份有限公司).

As of the Latest Practicable Date, our registered share capital was increased to RMB142,642,500.

**3. Changes in the Share Capital of Our Subsidiaries*****Hong Kong Laopu***

On December 31, 2023, the share capital of Hong Kong Laopu was increased from HK\$50,000,000 to HK\$180,000,000 contributed by our Company.

Save as disclosed above, as of the Latest Practicable Date, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

#### 4. Resolutions of Our Shareholders

Pursuant to a general meeting of our Shareholders held on November 9, 2023, the following resolutions, among others, were passed by our Shareholders:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange be issued;
- (b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;
- (c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and
- (d) authorization of our Board to handle all relevant matters relating to, among other things, the issue and listing of the H Shares.

#### FURTHER INFORMATION ABOUT OUR BUSINESS

##### 1. Summary of Material Contracts

We have 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 prospectus that are or may be material:

- (a) a cornerstone investment agreement dated June 17, 2024 entered into among our Company, Huang River Investment Limited and China Securities (International) Corporate Finance Company Limited, pursuant to which Huang River Investment Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$35,000,000;
- (b) a cornerstone investment agreement dated June 13, 2024 entered into among our Company, CPE Greater China Enterprises Growth Fund and China Securities (International) Corporate Finance Company Limited, pursuant to which CPE Greater China Enterprises Growth Fund agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$10,500,000;


(c) a cornerstone investment agreement dated June 13, 2024 entered into among our Company, China Southern Asset Management Co., Ltd.\* (南方基金管理股份有限公司) and China Securities (International) Corporate Finance Company Limited\* (中信建投(國際)融資有限公司), pursuant to which China Southern Asset Management Co., Ltd.\* (南方基金管理股份有限公司) agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$10,500,000; and

(d) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### *Trademarks Registered in the PRC*

As of the Latest Practicable Date, we have registered the following trademarks in the PRC, which we considered to be material to our business:

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
1. . . .	Our Company	38946071	PRC	LAO PU	14	February 21, 2020 – February 20, 2030
2. . . .	Our Company	22924664	PRC	 老鋪黃金	14	October 14, 2018 – October 13, 2028
3. . . .	Our Company	62263737	PRC	 老鋪黃金	35	July 21, 2022 – July 20, 2032
4. . . .	Our Company	22924663	PRC	 老鋪黃金 LAO PU GOLD	14	October 14, 2018 – October 13, 2028
5. . . .	Our Company	50734076	PRC	 老鋪黃金 LAO PU GOLD	35	April 21, 2022 – April 20, 2032
6. . . .	Our Company	50735301	PRC	老鋪黃金 LAO PU GOLD	14	August 14, 2021 – August 13, 2031
7. . . .	Our Company	45836555	PRC	 老鋪黃金	14	April 7, 2021 – April 6, 2031
8. . . .	Our Company	32512537	PRC	 LAO PU 老鋪黃金	14	April 14, 2019 – April 13, 2029





\* For identification purpose only, the relevant cornerstone investment agreement was entered into in Chinese.








No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
9. . . .	Our Company	16216994	PRC		14	April 7, 2016 – April 6, 2026
10. . .	Our Company	60983422	PRC		14	June 21, 2022 – June 20, 2032
11. . .	Our Company	37351421	PRC		14	November 21, 2019 – November 20, 2029
12. . .	Our Company	27824261	PRC	<b>Lao Pu</b>	14	November 7, 2018 – November 6, 2028
13. . .	Our Company	15628484	PRC	<b>LAOPU GOLD</b>	14	December 21, 2015 – December 20, 2025
14. . .	Our Company	42301091	PRC		14	August 7, 2020 – August 6, 2030
15. . .	Our Company	42300345	PRC		35	October 28, 2020 – October 27, 2030
16. . .	Our Company	51537061	PRC		14	July 28, 2021 – July 27, 2031

### *Trademarks Registered Overseas*

As of the Latest Practicable Date, we have registered the following trademarks overseas, which we considered to be material to our business:

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
1. . . .	Our Company	304107131	Hong Kong		14	April 12, 2017 – April 11, 2027
2. . . .	Our Company	304591468	Hong Kong	A  B 	14	July 10, 2018 – July 9, 2028
3. . . .	Our Company	N/122442	Macau		14	October 12, 2017 – October 12, 2024 <sup>2</sup>

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
4. . . .	Our Company	1451707	International <sup>1</sup>		14	September 7, 2018 – September 7, 2028
5. . . .	Our Company	306365683	Hong Kong	<p>A</p>  <p>B</p>	14	October 5, 2023 – October 4, 2033
6. . . .	Our Company	306365692	Hong Kong	<p>A</p>  <p>B</p>  <p>B</p> 	14	October 5, 2023 – October 4, 2033

<sup>1</sup> These registered trademarks are international trademarks registered by the company in accordance with the Madrid Protocol for International Trademark Registration.

<sup>2</sup> Our Company plans to submit the renew application in June 2024. Our Directors believe that there is no impediment in the renewal of our trademarks before the respective expiration dates.

*Patents*

As of the Latest Practicable Date, we have registered the following patents, which we consider to be material to the business of our Group:

<u>No.</u>	<u>Patent</u>	<u>Category</u>	<u>Patentee(s)</u>	<u>Patent Number</u>	<u>Place of Registration</u>	<u>Application Date</u>
1. . .	Method for Planting Wax Trees in the Manufacturing Process of Metal Articles and Method for Manufacturing Metal Articles (金屬物品製造過程中種蠟樹的方法和金屬物品製造方法)	Invention	Our Company	ZL202010226957.3	PRC	March 27, 2020
2. . .	Method for Planting Wax Trees in the Manufacturing Process of Circular Metal Articles and Method for Manufacturing Circular Metal Articles (環形金屬物品製造過程中種蠟樹的方法和環形金屬物品製造方法)	Invention	Our Company	ZL202010226948.4	PRC	March 27, 2020
3. . .	Necklace threading components and necklaces (項鏈穿繩組件和項鏈)	Utility Model	Our Company	ZL201921310569.2	PRC	August 14, 2019
4. . .	Wire drawing machines and gold product manufacturing equipment (拉絲機和黃金製品製造設備)	Utility Model	Our Company	ZL201921924008.1	PRC	November 8, 2019
5. . .	Twisting machine (絞絲機)	Utility Model	Our Company	ZL201921922440.7	PRC	November 8, 2019

No.	Patent	Category	Patentee(s)	Patent Number	Place of Registration	Application Date
6. . .	Jewelry (飾品(連年有餘平安金扣))	Appearance Design	Our Company	ZL201930175746.X	PRC	April 17, 2019
7. . .	Pendant (吊墜(花絲鑲嵌八寶寶符))	Appearance Design	Our Company	ZL201930075835.7	PRC	February 26, 2019
8. . .	Bracelet (手鐲(青銅紋))	Appearance Design	Our Company	ZL201930580098.6	PRC	October 24, 2019
9. . .	Gold Ring (金環(富貴圓滿))	Appearance Design	Our Company	ZL201930692919.5	PRC	December 11, 2019
10. .	Box (盒(龍鳳呈祥寶盒))	Appearance Design	Our Company	ZL201930695545.2	PRC	December 12, 2019
11. .	Pendant (吊墜(鏤空八寶隨身佛))	Appearance Design	Our Company	ZL201930728022.3	PRC	December 25, 2019
12. .	Pendant (吊墜(玫瑰花窗寶符))	Appearance Design	Our Company	ZL201930695845.0	PRC	December 12, 2019
13. .	Hair Clasp (簪子(素面))	Appearance Design	Our Company	ZL202030229164.8	PRC	May 18, 2020
14. .	Ring (戒指(同心對戒))	Appearance Design	Our Company	ZL202030438808.4	PRC	August 5, 2020
15. .	Ornament (擺件(靈鹿))	Appearance Design	Our Company	ZL202030337094.8	PRC	June 28, 2020
16. .	Gold Cup (金杯(年年有餘))	Appearance Design	Our Company	ZL202030547895.7	PRC	September 16, 2020
17. .	Bracelet (手環(貝齒紋封口雙層))	Appearance Design	Our Company	ZL202030587625.9	PRC	September 29, 2020
18. .	Sword (劍)	Appearance Design	Our Company	ZL202130080304.4	PRC	February 3, 2021
19. .	Pendant (吊墜(鑲鈦葫蘆寶符))	Appearance Design	Our Company	ZL202130422462.3	PRC	July 5, 2021
20. .	Pendant (吊墜(玫瑰花窗))	Appearance Design	Our Company	ZL202230201009.4	PRC	April 11, 2022

*Copyrights*

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be material to our Group's business:

<u>No.</u>	<u>Name of Copyright</u>	<u>Registration Number</u>	<u>Registered Owner</u>	<u>Registration Date</u>
1. . .	Gold Play-piece (足金把件-掌中響葫)	Guo Zuo Deng Zi-2019-F-00788445	Our Company	May 23, 2019
2. . .	Gold Play-piece (足金把件-九宮八卦牌)	Guo Zuo Deng Zi-2019-F-00788446	Our Company	May 23, 2019
3. . .	Gold Bracelet (足金手鐲-竹報平安開口金環-圖)	Guo Zuo Deng Zi-2019-F-00785774	Our Company	May 21, 2019
4. . .	Gold Ornament (足金擺件-福祿壽喜金碗)	Guo Zuo Deng Zi-2019-F-00785709	Our Company	May 21, 2019
5. . .	Gold Ornament (足金擺件-瑞獸護身酒壺)	Guo Zuo Deng Zi-2019-F-00737831	Our Company	April 29, 2019
6. . .	Gold Ornament (足金擺件-八寶蓮花香盒)	Guo Zuo Deng Zi-2019-F-00737829	Our Company	April 29, 2019
7. . .	Gold Pendant (足金吊墜-鑲嵌金剛杵、金剛槲、金剛鈴、金剛鉞刀(系列4款))	Guo Zuo Deng Zi-2019-F-00738709	Our Company	June 6, 2019
8. . .	Gold Ornament (足金擺件-花絲鑲嵌真言八寶香薰)	Guo Zuo Deng Zi-2019-F-00844413	Our Company	September 3, 2019
9. . .	Gold Bracelet (足金手鐲-燒藍鍍雕如意纏枝紋金珠)	Guo Zuo Deng Zi-2019-F-00846978	Our Company	September 9, 2019
10. .	Gold Pendant (足金吊墜-五福捧壽香囊(金龍、金鳳))	Guo Zuo Deng Zi-2021-F-00226225	Our Company	September 28, 2021
11. .	Gold Ornament (足金擺件-鑿刻隨身酒壺)	Guo Zuo Deng Zi-2022-F-10052410	Our Company	March 9, 2022
12. .	Gold Pendant (足金吊墜-花絲真言平安扣)	Guo Zuo Deng Zi-2022-F-10052405	Our Company	March 9, 2022
13. .	Gold Jewelry (足金飾品-鳳首簪)	Guo Zuo Deng Zi-2022-F-10052402	Our Company	March 9, 2022

No.	Name of Copyright	Registration Number	Registered Owner	Registration Date
14.	Gold Jewelry (足金飾品-龍首簪)	Guo Zuo Deng Zi-2022-F-10052404	Our Company	March 9, 2022
15.	Gold Ornament (足金擺件-福祿八寶金杯)	Guo Zuo Deng Zi-2022-F-10094694	Our Company	May 9, 2022
16.	Gold Ornament (足金擺件-牡丹紋執壺)	Guo Zuo Deng Zi-2022-F-10094700	Our Company	May 9, 2022
17.	Gold Ring (足金戒指-錘揲紋戒指)	Guo Zuo Deng Zi-2022-F-10207225	Our Company	September 30, 2022
18.	Gold Jewelry (足金飾品-花絲蝴蝶掛墜(2號))	Guo Zuo Deng Zi-2022-F-10207079	Our Company	September 30, 2022
19.	Gold Jewelry (足金飾品-錘揲紋耳環)	Guo Zuo Deng Zi-2022-F-10209182	Our Company	October 9, 2022
20.	Gold Ornament (足金擺件-虎鈕印章(刻福祿壽喜))	Guo Zuo Deng Zi-2022-F-10254449	Our Company	December 8, 2022

## FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

Save as disclosed below, immediately following completion of the Global Offering (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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 to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

<u>Name</u>	<u>Position</u>	<u>Nature of Interest</u>	<u>Number of Shares</u>	<b>Approximate percentage of shareholding in the total share capital of our Group immediately after the completion of the Global Offering (assuming no Offer Size Adjustment Option or Over-allotment Option is exercised)<sup>(2)</sup></b> (%)
Mr. Xu <sup>(3)</sup> . . . . .	Executive Director, chairman of the Board and general manager	Beneficial owner/ Interest in controlled corporations/ Interest held jointly with another person	66,055,390 Unlisted Shares 45,584,410 H Shares	68.87%

*Notes:*

- (1) All interests are long positions.
- (2) The calculation is based on the total number of 73,591,840 Unlisted Shares and 88,501,960 H Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares to may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).
- (3) For details, see section headed “Substantial Shareholders” in this prospectus.

## **2. Substantial Shareholders**

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders” in this prospectus.

Save as set out above, our Directors are not aware of any other person (other than our Directors, Supervisors or chief executive) will, immediately following completion of the Global Offering, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

### 3. Service Contracts

Each of our Directors and Supervisors has entered into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date of appointment; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval.

Save as disclosed above, none of our Directors and Supervisors has or is proposed to have entered into any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

### 4. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and "Appendix I – Accountants' Report – 8. Directors', Chief Executive's and Supervisors' Remuneration" for the three financial years ended December 31, 2021, 2022 and 2023, none of our Directors or Supervisors received other remunerations or benefits in kind from us.

### 5. Disclaimers

Save as disclosed in this prospectus:

- (a) save as disclosed in this prospectus, none of our Directors, Supervisors or any of the parties listed in "5. Qualifications of Experts" of this Appendix is:
  - (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Company; or
  - (ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "5. Qualification of Experts" of this Appendix:
  - (i) is interested legally or beneficially in any shares in any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;



- (c) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; and
- (d) so far as is known to our Directors, none of our Directors or Supervisors or their respective close associates (as defined under the Listing Rules) or Shareholders who owns more than 5% of the issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

## **OTHER INFORMATION**

### **1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of our subsidiaries under the laws of the PRC.

### **2. Litigation**

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

### **3. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of HKD5 million to act as a sponsor to our Company in connection with the Global Offering.

### **4. Preliminary Expenses**

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

## 5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this prospectus are as follows:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited. . . . .	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under SFO)
Ernst & Young. . . . .	Certified Public Accountants and Registered Public Interest Entity Auditor
Global Law Office. . . . .	Company's PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. . . . .	Independent industry consultant

## 6. Consents of Experts

Each of the experts as referred to in the paragraph headed "5. Qualifications of Experts" of this Appendix has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

## 7. Taxation of Holders of H Shares

### (1) *Hong Kong*

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to the section headed "Appendix III – Taxation and Foreign Exchange" to this prospectus.

(2) *Consultation with professional advisers*

Potential investors in the Global Offering are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunner, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our H Shares.

**8. No Material Adverse Change**

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in the financial or trading position of our Company since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Company were prepared).

**9. Promoters**

The promoters of our Company are nine Shareholders of our Company as of November 25, 2019 before our conversion into a joint stock company with limited liability.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

**10. Restrictions on Repurchase**

For details, please refer to the section headed “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association” to this prospectus.

**11. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, 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.

**12. Bilingual Prospectus**

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**13. Miscellaneous**

Save as otherwise disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; (ii) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company and (iii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any shares of our Company;
- (b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (g) our Company is not presently listed on any stock exchange or traded on any trading system; and
- (h) our Company is a joint stock limited company and is subject to the PRC Company Law.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information About Our Business — 1. Summary of Material Contracts” in this prospectus; and
- (ii) the written consents referred to in the paragraph headed “Appendix VI — Statutory and General Information — Other information — 6. Consents of Experts” in this prospectus.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the website of our Company at [www.lphj.com](http://www.lphj.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended December 31, 2021, 2022 and 2023;
- (d) the report prepared by Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report issued by Frost & Sullivan referred to in the section headed “Industry Overview” in this prospectus;
- (f) the PRC legal opinions issued by Global Law Office, our PRC Legal Advisors, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;
- (g) the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information About Our Business — 1. Summary of Material Contracts” in this prospectus;

- (h) the service contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information About Our Directors, Supervisors and Substantial Shareholders — 3. Service Contracts” in this prospectus;
- (i) the written consents referred to in the paragraph headed “Appendix VI — Statutory and General Information — Other Information — 6. Consents of Experts” in this prospectus; and
- (j) the PRC Company Law together with unofficial English translations thereof.

