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MOKINGRAN JEWELLERY GROUP CO., LTD.

夢金園黃金珠寶集團股份有限公司

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

(Stock Code: 2585)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2024 decreased by 2.5% to RMB19,712.9 million from RMB20,208.6 million for the year ended December 31, 2023.
- Gross profit for the year ended December 31, 2024 increased by 23.5% to RMB1,330.9 million from RMB1,077.5 million for the year ended December 31, 2023.
- Profit and total comprehensive income for the year ended December 31, 2024 amounted to RMB200.7 million, representing a decrease of 14.0% as compared with RMB233.5 million for the year ended December 31, 2023.
- Profit and total comprehensive income attributable to the owners of the Company for the year ended December 31, 2024 amounted to RMB189.4 million for the year ended December 31, 2024, representing a decrease of 17.8% as compared with RMB230.4 million for the year ended December 31, 2023.
- The Board recommends the payment of a final dividend of RMB0.3 per share (before tax) for the year ended December 31, 2024 in cash, amounting to a total dividend payment of RMB81.9 million.

The board (the “**Board**”) of directors (the “**Directors**”) of MOKINGRAN JEWELLERY GROUP CO., LTD. (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the consolidated annual results of the Group for the year ended December 31, 2024 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024

	<i>Notes</i>	For the year ended December 31,	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	19,712,885	20,208,599
Cost of sales		<u>(18,382,024)</u>	<u>(19,131,139)</u>
Gross profit		1,330,861	1,077,460
Other income	5	34,584	27,773
Distribution and selling expenses		(229,227)	(257,328)
Research and development expenses		(22,366)	(17,470)
Administrative expenses		(103,360)	(79,770)
Other expenses and other gains and losses, net	6	(649,389)	(378,513)
Finance costs	7	(71,457)	(63,134)
Impairment losses under expected credit loss model, net	8	(5,284)	(1,076)
Listing expenses		<u>(14,593)</u>	<u>(2,829)</u>
Profit before tax		269,769	305,113
Income tax expense	9	<u>(69,032)</u>	<u>(71,641)</u>
Profit and total comprehensive income for the year	10	<u>200,737</u>	<u>233,472</u>
Profit and total comprehensive income for the year attributable to			
Owners of the Company		189,361	230,375
Non-controlling interests		<u>11,376</u>	<u>3,097</u>
		<u>200,737</u>	<u>233,472</u>
Earnings per share			
Basic and diluted (RMB)	11	<u>0.81</u>	<u>1.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

		As at December 31,	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		381,444	400,001
Right-of-use assets		50,112	52,837
Investment properties		61,298	80,695
Intangible assets		14,643	7,589
Deferred tax assets		41,866	34,069
Prepayments, deposits and other receivables		146,033	41,502
Other non-current assets		357	100
		695,753	616,793
Current Assets			
Inventories	13	2,544,284	2,169,633
Trade receivables	14	276,379	150,513
Prepayments, deposits and other receivables		395,452	399,406
Pledged/restricted deposits	15	466,621	528,795
Cash and cash equivalents	15	556,167	155,866
		4,238,903	3,404,213
Current Liabilities			
Trade and bills payables	16	394,083	511,787
Other payables and accruals		144,417	139,142
Lease liabilities		7,706	7,711
Borrowings	17	1,167,496	790,041
Contract liabilities	18	106,093	42,173
Tax liabilities		40,060	24,963
Gold loans	19	359,087	502,508
Deferred income		33	41
Refund liabilities	20	23,413	32,943
		2,242,388	2,051,309
Net Current Assets		1,996,515	1,352,904
Total Assets less Current Liabilities		2,692,268	1,969,697

		<u>As at December 31,</u>	
		<u>2024</u>	<u>2023</u>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Liabilities			
Borrowings	17	181,422	—
Deferred tax liabilities		1,178	15
Lease liabilities		5,845	8,281
Refund liabilities	20	26,097	38,384
Deferred income		<u>79</u>	<u>112</u>
		<u>214,621</u>	<u>46,792</u>
Net Assets		<u>2,477,647</u>	<u>1,922,905</u>
Capital and Reserves			
Share capital	21	273,023	229,067
Reserves		<u>2,184,699</u>	<u>1,685,289</u>
Equity attributable to owners of the Company		2,457,722	1,914,356
Non-controlling interests		<u>19,925</u>	<u>8,549</u>
Total Equity		<u>2,477,647</u>	<u>1,922,905</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. GENERAL INFORMATION

The Company was established as a limited liability company in the People's Republic of China (the "PRC") on September 8, 2000 and converted into a joint-stock company with limited liability under the Company Law of the PRC on June 29, 2018. The addresses of the registered office and the principal place of business of the Company are No.15 Ziyen Road, Huayan Industrial Zone, Binhai Hi-Tech District, Tianjin, PRC.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from November 29, 2024.

The controlling shareholders of the Company are Mr. Wang Zhongshan, Ms. Zhang Xiuqin and their son, namely Mr. Wang Guoxin and their daughter, namely Ms. Wang Na, through their direct or indirect interests held in the Company.

The Company and the Group are primarily engaged in the design, production, wholesale and retail of jewellery in the PRC.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS ACCOUNTING STANDARDS")

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group has applied the amendments for the first time in the current year.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

In accordance with the transition provision, the entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b)(ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Group has provided additional disclosures related to the amendments in note 16.

New and Amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRSs Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2025

³ Effective for annual periods beginning on or after January 1, 2026

⁴ Effective for annual periods beginning on or after January 1, 2027

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of the above amendments to HKFRS Accounting Standards will have no material impact on the Group's consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.1. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

3.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year ended December 31, 2024 are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the design, production, wholesale and retail of jewellery in the PRC.

The executive directors of the Company, being the chief operating decision makers, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

The Group's non-current assets are all located in Mainland China of the PRC and the Group's revenue are predominantly derived from Mainland China of the PRC. During the year ended December 31, 2024, there was no revenue derived from transactions with a single external customer or a group of entities known to be under common control with that customer amounted to 10% or more of the Group's revenue.

The Group's revenue is generated from the sales of gold jewellery and other gold products, K gold jewellery, diamond inlaying jewellery and other products and provision of other services. Disaggregation of revenue from contracts with customers is as follows:

	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services		
Sale of goods:		
— Gold jewellery and other gold products	19,280,247	19,877,366
— K gold jewellery, diamond inlaying jewellery and other products	342,650	225,513
Other services	<u>89,988</u>	<u>105,720</u>
Total	<u><u>19,712,885</u></u>	<u><u>20,208,599</u></u>
Geographical markets		
Mainland China	19,572,563	20,191,104
Others	<u>140,322</u>	<u>17,495</u>
Total	<u><u>19,712,885</u></u>	<u><u>20,208,599</u></u>
Timing of revenue recognition		
A point in time	19,657,361	20,149,774
Over time	<u>55,524</u>	<u>58,825</u>
Total	<u><u>19,712,885</u></u>	<u><u>20,208,599</u></u>

For the sales of gold jewellery and other gold products, K gold jewellery, diamond inlaying jewellery and other products, revenue is recognised when customers obtain control of the goods, being when the goods have been accepted by customers or delivered to the carrier designated by the customers. The payment is usually due immediately for retail customers or in 3 to 90 days' credit period for the franchisees and provincial-dealers.

Under the Group's standard contract terms, except for closures of stores, customers (franchisees and provincial-dealers) have no right to return any goods after its acceptance of the products but have a right to exchange unsold diamond inlaying jewellery within 5 years. The Group uses its historical data to estimate the percentage of exchange on a portfolio basis using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal of the cumulative revenue recognised will not occur. For goods that are expected to be returned, a refund liability instead of revenue is recognised. The Group's right to recover the product when customers exercise their rights is recognised as a right to returned goods and a corresponding adjustment to cost of sales.

Other services include royalty and service, brand usage, customised processing service and testing service. Royalty and service income and brand usage income in respect of the use of the Group's trademarks are recognised over time in accordance with the relevant agreements. Customised processing service income and testing service income are recognised when the services are rendered.

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

5. OTHER INCOME

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest income from bank and other deposits	3,720	5,492
Other income from franchisees and provincial-dealers	3,298	3,563
Rental income	3,140	3,222
Government grants <i>(Note)</i>	21,654	15,230
Additional deduction for value-added tax ("VAT")	2,662	—
Others	110	266
	<u>34,584</u>	<u>27,773</u>

Note: For the year ended December 31, 2024, income of approximately RMB21,613,000 (2023: RMB15,098,000) represented the subsidies from the relevant government authorities for the purpose of motivating the business development of the Group. The subsidies received are in substance a kind of immediate financial support to the Group with no future related costs and are recognised as income when the subsidies are received. There were no unfulfilled conditions for all the government grants in the period in which they were recognised. For the year ended December 31, 2024, income of approximately RMB41,000 (2023: RMB132,000) represented the grants from the relevant government authorities for funding the purchase of certain non-current assets. The government grants received are recognised in profit or loss over the useful lives of the relevant non-current assets.

6. OTHER EXPENSES AND OTHER GAINS AND LOSSES, NET

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Expenses related to previous A-share listing attempt	—	(4,302)
Direct operating expenses incurred for investment properties	(4,022)	(4,197)
Charitable contribution	(1,287)	(1,146)
Other expenses	(5,309)	(9,645)
Impairment loss recognised in respect of investment properties	(15,207)	—
Gain/(loss) on disposal of property, plant and equipment and termination of leases, net	203	(55)
Net foreign exchange gain/(loss)	1,334	(134)
Net realised loss on Au (T+D) contracts <i>(Note)</i>	(533,649)	(299,391)
Net realised loss on gold loans	(131,400)	(50,358)
Net realised loss on futures contract	(3,489)	—
Net unrealised gain/(loss) on gold loans	37,734	(19,735)
Fair value changes on financial assets at FVTPL	5	80
Others	389	725
Other gains and losses, net	(644,080)	(368,868)
Other expenses and other gains and losses, net	(649,389)	(378,513)

Note: The Group uses Au (T+D) contracts which are purchased on Shanghai Gold Exchange as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with gold products. The Au (T+D) contracts are settled on a daily basis.

The Group does not formally designate or document the hedging transactions with respect to the Au (T+D) contracts. Therefore, those transactions are not designated for hedge accounting.

7. FINANCE COSTS

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest on borrowings	52,585	33,703
Interest on gold loans	14,110	17,272
Interest on discounted bills payables	3,746	11,224
Interest on lease liabilities	1,016	935
	71,457	63,134

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses net recognised on:		
— Trade receivables	(4,111)	(675)
— Other receivables	<u>(1,173)</u>	<u>(401)</u>
Total	<u><u>(5,284)</u></u>	<u><u>(1,076)</u></u>

9. INCOME TAX EXPENSE

	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	74,943	80,913
Under provision of EIT in prior years	723	—
Deferred tax	<u>(6,634)</u>	<u>(9,272)</u>
	<u><u>69,032</u></u>	<u><u>71,641</u></u>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the years ended December 31, 2024 and 2023.

Certain subsidiaries are qualified as small low-profit enterprises by the relevant tax authorities. The entitled subsidiaries are subject to a preferential income tax rate of 5% during the years ended December 31, 2024 and 2023.

Shandong Yifu Gold Jewellery Limited (“**Shandong Yifu**”), is entitled to a preferential income tax rate of 15% for the year ended December 31, 2024, as Shandong Yifu was qualified as a High-New Technology Enterprise (the “**HNTE**”) and the HNTE qualification was approved and valid for 3 years from November 29, 2023 to November 28, 2026.

No provision for taxation in Hong Kong has been made as the Group’s subsidiary in Hong Kong is operating at a loss.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>269,769</u>	<u>305,113</u>
Tax at PRC statutory income tax rate of 25%	67,442	76,278
Effect of different tax rates of subsidiaries	(4,811)	(2,751)
Tax effect of expenses not deductible for tax purposes	1,893	2,638
Utilisation of tax losses previously not recognised	(2,151)	(1,520)
Utilisation of deductible temporary differences previously not recognised	(295)	(2,110)
Tax effect of tax losses not recognised	6,565	3,413
Tax effect of deductible temporary differences not recognised	4,833	—
Under provision in respect of prior years	723	—
Additional deductible items under the EIT Law ^(Note)	<u>(5,167)</u>	<u>(4,307)</u>
Income tax expense for the year	<u>69,032</u>	<u>71,641</u>

Note: Additional deductible items under the EIT Law include super deduction for research and development expenses and super deduction for salary of disabled individuals.

10. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging/(crediting):

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment	45,162	37,507
Depreciation of investment properties	4,190	4,197
Depreciation of right-of-use assets	9,882	9,611
Amortisation of intangible assets	1,924	1,692
Total depreciation and amortisation	61,158	53,007
Less: capitalised in inventories	(21,772)	(19,643)
	39,386	33,364
Auditor's remuneration	2,851	63
Short-term lease expense	2,642	3,184
Gross rental income from investment properties	(3,140)	(3,222)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	2,261	2,234
direct operating expenses incurred for investment properties that did not generate rental income during the year	1,761	1,963
	882	975
Directors' and supervisors' remuneration	7,124	4,094
Other staff costs:		
Salaries, other allowances and performance-based bonuses	226,170	231,960
Retirement benefits scheme contributions	19,344	17,736
Total staff costs	245,514	249,696
Less: capitalised in inventories	(85,394)	(86,337)
	160,120	163,359
Cost of inventories recognised as an expense	18,381,760	19,130,638
Including: reversal of write-down of inventories	(80)	(583)

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit for the year attributable to the owners of the Company	189,361	230,375

Number of shares

	For the year ended December 31,	
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	232,730	229,067

No diluted earnings per share for the years ended December 31, 2024 and 2023 were calculated as there were no potential ordinary shares in issue for both 2024 and 2023.

12. DIVIDENDS

In March 2024, a dividend of RMB91,627,000 was declared and paid by the Company to its then shareholders recognized as a distribution during the year (2023: Nil).

Subsequent to the reporting period, a final dividend in respect of the year ended December 31, 2024 of RMB0.3 per ordinary share, in an aggregate amount of RMB81,907,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. INVENTORIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials	960,422	533,868
Work in progress	9,090	6,343
Finished goods <i>(Note)</i>	1,552,134	1,612,052
Goods in transit	12,069	7,272
Consignment processing materials	2,787	525
Consumables	7,782	9,573
	2,544,284	2,169,633

Note: Included in the finished goods are items related to consignment arrangement amounted to RMB259,000 (2023: RMB854,000) as at December 31, 2024.

14. TRADE RECEIVABLES

	<u>As at December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	316,862	186,885
Less: Allowance for credit losses	(40,483)	(36,372)
Total	<u>276,379</u>	<u>150,513</u>

As at January 1, 2023, gross carrying amount of trade receivables from contracts with customers amounted to RMB166,619,000.

The Group primarily allows a credit period around 3 to 90 days, except for certain credit worthy customers, where the credit periods are extended to a longer period. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the dates of delivery or rendering of services at the end of each reporting period.

	<u>As at December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	237,173	147,878
90–180 days	15,430	2,456
180 days–1 year	22,883	179
1–2 years	893	—
Total	<u>276,379</u>	<u>150,513</u>

As of December 31, 2024, included in the Group's trade receivable balances are debtors with an aggregate carrying amount of RMB7,099,000 (2023: RMB3,010,000) which are past due as at the reporting date. Out of the past due balances, RMB4,872,000 (2023: RMB575,000) has been past due 90 days or more. The past due 90 days balances of RMB3,314,000 (2023: RMB575,000) are not considered as in default as there has not been a significant change in credit quality and the amounts are considered recoverable.

15. PLEDGED/RESTRICTED DEPOSITS/CASH AND CASH EQUIVALENTS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents		
— Cash on hand	123	329
— Bank balances <i>(Note i)</i>	528,000	134,822
— Balances with online payment platforms	1,823	1,073
— Surplus deposits with Shanghai Gold Exchange	26,221	19,642
	556,167	155,866
Pledged/restricted deposits <i>(Note ii)</i>	466,621	528,795

Notes:

- As at December 31, 2024, the bank balances of the Group carried interest at market rates ranging from nil to 1.15% (2023: nil to 1.15%) per annum.
- As at December 31, 2024, the pledged/restricted deposits mainly include bank deposits pledged to banks to secure banking facilities and security deposits for issuance of bills payable, gold loans and gold trading accounts, etc. The balances carried interest rates ranging from nil to 2.25% (2023: nil to 2.25%) per annum.

As at December 31, 2024, the carrying amount of pledged/restricted deposits of the Group of RMB279,675,000 (2023: RMB327,250,000) are pledged to banks as collaterals for the Group's borrowings, gold loans and bills payable.

16. TRADE AND BILLS PAYABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Bills payable under supplier finance arrangements <i>(Notes i & ii)</i>	370,000	470,000
Trade payables	24,083	41,787
	394,083	511,787

Notes:

- The bills payable were guaranteed by the Company and/or certain subsidiaries of the Group.
- In order to ensure easy access to finance for a supplier of the Group, the Group permits a supplier to obtain payment from banks by discounting bills issued by the Group for the amount of gold that the Group agrees to purchase. The Group repays the banks the full bill amount on the due date of the bill. As the arrangements are part of the working capital used in the entity's normal operating cycle, the Group considers the bills payable under such supplier finance arrangements should be classified as trade and bills payables.

An aged analysis of the Group's trade payables presented based on the invoice date as at the end of each reporting period is as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Within 1 year	21,356	40,490
1–2 years	2,317	914
2–3 years	101	170
Over 3 years	309	213
	24,083	41,787

All bills payable issued by the Group are with a maturity period of less than one year.

17. BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Bank borrowings	1,109,258	790,041
Other borrowings relating to sale-and-leaseback transactions	234,390	—
Other borrowings pledged by trade receivables <i>(Note i)</i>	5,270	—
	1,348,918	790,041
Guaranteed and secured <i>(Notes ii & iii)</i>	320,430	569,820
Unguaranteed and secured <i>(Note ii)</i>	558,900	29,981
Guaranteed and unsecured <i>(Note iii)</i>	469,588	190,240
	1,348,918	790,041

Notes:

- As at December 31, 2024, trade receivables amounting to RMB5,270,000 were pledged to obtain the borrowings amounting to RMB5,270,000.
- The secured borrowings were secured by the pledge of certain bank deposits, property, plant and equipment, right-of-use assets, investment properties, patents and/or trade receivables.
- The guaranteed bank borrowings and other borrowings were guaranteed by the Company and/or certain subsidiaries of the Group.

Bank borrowings relating to discounted bills represented the cash received on bills receivables discounted to various banks with full recourse relates to discounted bills issued among subsidiaries of the Group for intra-group transactions.

The carrying amounts of the above borrowings are analysed based on contractual repayment date as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
The carrying amounts of the borrowings are repayable:		
Within one year	1,167,496	790,041
Within a period of more than one year but not exceeding two years	149,605	—
Within a period of more than two years but not exceeding five years	31,817	—
	1,348,918	790,041
Less: Amounts due within one year shown under current liabilities	1,167,496	790,041
Amounts shown under non-current liabilities	181,422	—

The exposure of the Group's borrowings are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Fixed-rate borrowings	1,348,918	790,041

As at December 31, 2024, borrowings carry interest at 3.25% to 6.48% (2023: 3.60% to 5.51%) per annum.

18. CONTRACT LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Sales of goods	106,093	42,173

As at January 1, 2023, the carrying amounts of contract liabilities were approximately RMB39,044,000.

The contract liabilities were expected to be recognised as revenue in the next 12 months.

The following table shows how much of the revenue recognised related to carried forward contract liabilities.

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in contract liability balance at the beginning of the year — sales of goods	41,907	39,006

19. GOLD LOANS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Gold loans	359,087	502,508

The Group borrows gold from bank for 3 months to 12 months and pays a fixed fee to bank for the duration of the contract based on the value of gold at inception and relevant interest rates at inception. At maturity, the Group is obliged to deliver gold of the same type, quantity and quality to bank. The Group does not have an option to settle its obligation in cash. Gold loans representing the obligation to deliver gold are classified as liabilities at FVTPL at initial recognition.

The fair value of gold loans is determined with reference to quoted market bid price of gold traded in active liquid markets and classified as Level 2 of the fair value hierarchy.

The gold loans were secured by the pledge of certain bank deposits and property, plant and equipment and guaranteed by the Company and/or certain subsidiaries of the Group.

20. REFUND LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Refund liabilities	49,510	71,327
Analysed for reporting purposes as:		
Non-current liabilities	26,097	38,384
Current liabilities	23,413	32,943
	49,510	71,327

21. SHARE CAPITAL

	Number of shares		Share capital	
	2024	2023	2024	2023
	'000	'000	RMB'000	RMB'000
Issued and fully paid:				
At beginning of year	229,067	229,067	229,067	229,067
Issue of shares upon IPO <i>(Note)</i>	<u>43,956</u>	<u>—</u>	<u>43,956</u>	<u>—</u>
At end of year	<u>273,023</u>	<u>229,067</u>	<u>273,023</u>	<u>229,067</u>

Note:

On November 29, 2024, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of approximately 43,956,000 new shares of RMB1.00 each issued at an offer price of HK\$12.00 per share and the total proceed was HK\$527,482,000 (equivalent to approximately RMB487,156,000). An amount of RMB443,200,000, being the excess of the consideration over the par value of the ordinary shares, was credited to share premium and share issue cost of RMB41,524,000 was debited to the share premium.

22. CAPITAL COMMITMENTS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>5,362</u>	<u>8,252</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2024, amidst the overall weak gold and jewellery consumption sentiment and declining inventory turnover rates, gold and jewellery enterprises swiftly adjusted their production and operational strategies. They drove product innovation, with traditional craftsmanship and “Guochao (國潮)” (Chinese cultural trends) concept gold jewellery gaining popularity. Due to the international geopolitical instability and various central bank’s accumulation of gold reserves, gold’s role as a safe-haven asset became more prominent, leading to a significant surge in gold bar sales.

According to the China Gold Association, PRC’s gold consumption in 2024 totalled 985.3 tons, reflecting a year-on-year decrease of 9.6%. The breakdown is as follows:

- Gold jewellery consumption: 532.0 tons, a decrease of 24.7% year-on-year.
- Gold bars and coins consumption: 373.1 tons, an increase of 24.5% year-on-year.
- Gold for industrial and other uses: 80.2 tons, a decrease of 4.1% year-on-year.

In addition, in 2024, PRC’s gold market demonstrated significant increases in trading volume and value. Total trading volume of gold products on the Shanghai Gold Exchange reached 62,300.0 tons (31,150.0 tons for single-side transactions), showing a year-on-year increase of 49.9% while total trading value amounted to RMB34.7 trillion (approximately RMB17.3 trillion for single-side transactions), up 86.7% year-on-year.

Business Review

Business Model and Product Offerings

The Group is a gold jewellery original brand manufacturer focusing on markets in third and lower-tier cities in the PRC with an operation that encompasses key stages of the gold jewellery industry, from raw material sourcing and purification, research and development, product design, manufacturing to retailing through a diversified sales network. The Group is primarily engaged in (i) the production and sales of gold jewellery and other gold products; (ii) the production and sales of K-gold jewellery, diamond inlaying jewellery and other products; and (iii) the provision of services.

Franchise Network

The Group primarily sells its products to its customers through (i) franchise network, including provincial-dealers and franchisees, and (ii) self-operated stores. As of December 31, 2024, the Group has established a comprehensive franchise network covering 2,758 franchise stores (2023: 2,817) operated by 1,631 franchisees (2023: 1,687), 17 provincial-dealers (2023: 17) and seven self-operated direct service centers serving its franchise network (2023: seven). As of December 31, 2024, the Group operated 33 self-operated stores (2023: 35).

In addition, the Group also offers its products through online means, including (i) sales to online platforms, and (ii) sales through self-operated online stores. As of December 31, 2024, the Group had operations on 12 e-commerce platforms (2023: 12).

Financial Review, Operating Results and Analysis

Revenue

The Group primarily derives its revenue from (i) the production and sales of gold jewellery and other gold products, (ii) the production and sales of K-gold jewellery, diamond inlaying jewellery and other products, and (iii) the provision of services. The following table sets out the breakdown of revenue by products and services during the indicated periods:

	For the year ended December 31,	
	2024	2023
	(RMB'000)	(RMB'000)
Sales of gold jewellery and other gold products	19,280,247	19,877,366
Sales of K-gold jewellery, diamond inlaying jewellery and other products	342,650	225,513
Other services	<u>89,988</u>	<u>105,720</u>
Total:	<u>19,712,885</u>	<u>20,208,599</u>

Segmental Performance Review

By Products and Services

(i) Sales of gold jewellery and other gold products

During the Reporting Period, revenue derived from sales of gold jewellery and other gold products amounted to RMB19,280.2 million (2023: RMB19,877.4 million), representing a year-on-year decrease of 3.0%. Such decrease was primarily attributable to a reduction in gold sales volume, which in turn was mainly due to a decline in consumer sentiment resulting from a rapid increase in gold prices in 2024.

(ii) Sales of K-gold jewellery, diamond inlaying jewellery and other products

During the Reporting Period, revenue derived from sales of K-gold jewellery, diamond inlaying jewellery and other products amounted to RMB342.7 million (2023: RMB225.5 million), representing a year-on-year increase of 52.0%. Such increase was primarily attributable to an increase in the sales volume of such products to overseas customers.

(iii) Other Services

During the Reporting Period, revenue derived from the provision of services amounted to RMB90.0 million (2023: RMB105.7 million), representing a year-on-year decrease of 14.9%. Such decrease was primarily attributable to the decrease in brand service fee collected from franchisees for provision of product labeling services. With the general decline in consumption sentiment of gold jewellery, sales volume for the year ended December 31, 2024 decreased when compared with the corresponding period in 2023. Accordingly, demand for product labeling services decreased, thereby resulting in a decrease in the brand service fee. The Group also recorded a decrease in revenue derived from provision of K-gold processing subcontracting service due to the general decrease in market demand for gold and gold-related products.

By distribution channels

The Group generated revenue from four major distribution channels, namely: (i) franchise network; (ii) e-commerce sales; (iii) self-operated stores; and (iv) others.

(i) Franchise network

During the Reporting Period, revenue derived from sales to franchise network amounted to RMB16,491.2 million (2023: RMB18,923.2 million), of which its revenue contribution to total revenue amounted to 83.7% (2023: 93.7%), representing a year-on-year decrease of 12.9%. Revenue from franchise network included revenue derived from direct sales to franchisees and revenue derived from provincial-dealers.

During the Reporting Period, revenue derived from direct sales to franchisees amounted to RMB10,948.1 million (2023: RMB12,273.8 million), representing 55.6% (2023: 60.8%) of total revenue and a year-on-year decrease of 10.8%. Such decrease was primarily attributable to a general decline in consumption sentiment of gold products.

During the Reporting Period, revenue derived from provincial-dealers amounted to RMB5,543.1 million (2023: RMB6,649.4 million), representing 28.1% (2023: 32.9%) of total revenue and a year-on-year decrease of 16.6%. Such decrease was primarily attributable to a general decline in consumption sentiment of gold products.

(ii) E-commerce sales

During the Reporting Period, revenue from e-commerce sales amounted to RMB2,017.1 million (2023: RMB750.7 million), of which its revenue contribution to total revenue amounted to 10.2% (2023: 3.7%), representing a year-on-year increase of 168.7%. The Group adopts two types of e-commerce sales model, namely self-operated online stores and sales to platforms.

During the Reporting Period, revenue derived from self-operated online stores amounted to RMB799.3 million (2023: RMB651.4 million), representing 4.0% (2023: 3.2%) of total revenue and a year-on-year increase of 22.7%. Such increase was primarily attributable to an increase in sales of gold products associated with promotional events.

During the Reporting Period, revenue derived from sales to platforms model amounted to RMB1,217.8 million (2023: RMB99.3 million), representing 6.2% (2023: 0.5%) of total revenue and a year-on-year increase of 1,126.4%. Such increase was primarily attributable to sales of gold bullion to a leading PRC online retailer for a promotional event.

(iii) Self-operated stores

During the Reporting Period, revenue derived from sales at self-operated stores amounted to RMB329.6 million (2023: RMB412.2 million), of which its revenue contribution to total revenue amounted to 1.7% (2023: 2.0%), representing a year-on-year decrease of 20.0%. Such decrease was primarily attributable to a general decline in consumption sentiment of gold products and partially contributed by the closure of two self-operated stores.

As of December 31, 2024, the Group has established 33 self-operated stores (as of December 31, 2023: 35).

(iv) Others

Others include revenue in relation to subcontracting production for independent third party and to tailor-make products for specific customers. During the Reporting Period, revenue derived from others amounted to RMB875.0 million (2023: RMB122.5 million), of which its revenue contribution to total revenue amounted to 4.4% (2023: 0.6%), representing a year-on-year increase of 614.3%. Such increase was mainly attributable to sales of gold raw materials to independent third-parties and spring clasps products.

Cost of sales

Cost of sales primarily includes material costs, staff costs, overheads and subcontracting costs. Cost of sales during the Reporting Period amounted to RMB18,382.0 million (2023: RMB19,131.1 million), representing a year-on-year decrease of 3.9%. Such decrease was primarily attributable to a reduction in gold sales volume, which was mainly due to a decline in consumer sentiment resulting from a rapid increase in gold prices.

Gross profit and gross profit margin

During the Reporting Period, gross profit amounted to RMB1,330.9 million (2023: RMB1,077.5 million), representing a year-on-year increase of 23.5%. Such increase was mainly due to an increase in gross profit margin in 2024. Gross profit margin for the Reporting Period was 6.8% (2023: 5.3%) and the change in gross profit margin was primarily attributable to the increasing trend of gold prices during the year ended December 31, 2024, as the Group procured gold at a low price level before the gold prices started to increase while charging its customers with the prevailing market gold prices that tends to be higher than the previous purchase cost. Such timing difference between procurement and sales transactions, coupled with the increasing trend of gold prices during the year, resulted in an increase in gross profit margin for the year ended December 31, 2024.

Other income

Other income mainly consisted of (i) interest income from bank and other deposits; (ii) other income from franchisees and provincial dealers; (iii) rental income; and (iv) government grants. During the Reporting Period, other income amounted to RMB34.6 million (2023: RMB27.8 million), representing a year-on-year increase of 24.5%. Such increase was primarily attributable to a government incentive grant for cultural development purpose.

Distribution and selling expenses

Distribution and selling expenses mainly consisted of staff costs, media advertising and promotion expenses. During the Reporting Period, selling and distribution expenses amounted to RMB229.2 million (2023: RMB257.3 million), representing a year-on-year decrease of 10.9%, which was mainly due to a decrease in media advertising and promotion expenses and a decrease in staff costs as a result of decreased commission payments due to a decrease in revenue.

Research and development expenses

Research and development expenses mainly consisted of staff costs and consumables such as raw materials for use in research and development and parts and components of machinery. During the Reporting Period, the Group recorded a research and development expenses of RMB22.4 million (2023: RMB17.5 million), representing a year-on-year increase of 28.0%. Such increase was primarily attributable to an increase in (i) research and development expenses of molds and equipment, particularly for spring clasps equipment, (ii) research and development expenses of product design styles and (iii) the expenses for intellectual property application fees and agency fees.

Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) depreciation and amortization; and (iii) office expenses.

During the Reporting Period, administrative expenses amounted to RMB103.4 million (2023: RMB79.8 million), representing a year-on-year increase of 29.6%, which was mainly due to the Group's relocation to the new production facility resulting in higher depreciation and amortization costs and hiring of additional administrative staff.

Other expenses and other gains and losses, net

Other expenses and other gains and losses, net mainly comprise (i) direct operating expenses incurred for investment properties; (ii) realized gains or losses on Au (T+D) contracts; (iii) realized gains or losses on gold loans; and (iv) unrealized gains or losses on gold loans. During the Reporting Period, other expenses and other gains and losses, net amounted to RMB649.4 million (2023: RMB378.5 million), representing a year-on-year increase of 71.6%, which was mainly due to an increase in losses incurred in connection with Au (T+D) contracts and gold loans.

Finance costs

Finance costs represented (i) interest on borrowings; (ii) interest on gold loans; (iii) interest on discounted bills payables; and (iv) interest on lease liabilities.

During the Reporting Period, finance costs amounted to RMB71.5 million (2023: RMB63.1 million), representing a year-on-year increase of 13.3%, which was mainly attributable to an increase in interest on borrowings in the sum of RMB18.9 million and partially offset by a decrease in interest on discounted bills payables in the amount of RMB7.5 million as the Group reduced the use of such bills for procurement settlements purposes.

Impairment losses under expected credit loss model, net

Impairment losses under expected credit loss model, net mainly represented impairment losses, net recognized on (i) trade receivables; and (ii) other receivables.

During the Reporting Period, the Group had impairment losses under expected credit loss model, net of RMB5.3 million (2023: RMB1.1 million), representing a year-on-year increase of 381.8%.

Listing expenses

During the Reporting Period, listing expenses amounted to RMB14.6 million (2023: RMB2.8 million), representing a year-on-year increase of 421.4%, which was mainly attributable to an increase in the expenses in connection with the listing of H shares of the Company (the “**H Shares**”) on the Stock Exchange, such as underwriting commissions and professional fees paid to the accountants, legal advisers and other professional advisers for the services rendered.

Profit before tax

During the Reporting Period, profit before tax amounted to RMB269.8 million (2023: RMB305.1 million), representing a year-on-year decrease of 11.6%, which was mainly due to an increase in net realized loss on Au (T+D) contracts resulting from the rapid increase in gold prices during 2024.

Income tax expense

During the Reporting Period, income tax expense was RMB69.0 million (2023: RMB71.6 million) and effective tax rate was 25.6% (2023: 23.5%).

Profit and total comprehensive income for the year

During the Reporting Period, the Group recorded profit and total comprehensive income for the year of RMB200.7 million (2023: RMB233.5 million), representing a year-on-year decrease of 14.0%, which was mainly due to the reasons above.

Profit and total comprehensive income attributable to owners of the Company

During the Reporting Period, the Group recorded a profit and total comprehensive income attributable to owners of the Company of RMB189.4 million (2023: RMB230.4 million), representing a year-on-year decrease of 17.8%.

Financial Position Review

As of December 31, 2024, the Group's total assets amounted to RMB4,934.6 million, with total liabilities of RMB2,457.0 million and shareholders' equity of RMB2,477.6 million.

Inventories

Inventories mainly included raw materials, work in progress, finished goods, goods in transit, consigned processing materials and consumables. As of December 31, 2024, inventories amounted to RMB2,544.3 million (2023: RMB2,169.6 million), representing a year-on-year increase of 17.3%, which was primarily caused by an increase in inventories of raw materials, which in turn was mainly a result of an increase in gold prices.

Trade receivables

Trade receivables primarily represented receivables from customers of the Group. As of December 31, 2024, trade receivables amounted to RMB276.4 million (2023: RMB150.5 million), representing a year-on-year increase of 83.7%, which was primarily attributable to a credit extension policy the Group offered to selected franchisees with strong payment history, wherein the trade receivable credit periods were extended after careful consideration. At the same time, the Group seeks to maintain strict control over outstanding trade receivables and to review overdue balances regularly.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represented deductible input VAT and right to returned goods asset. Deductible input VAT was mainly in relation to procurement of property, plant and equipment. Right to returned goods asset represented the gold lending arrangement to customers to replenish their inventories when they have urgent needs and the return policy of the Group's diamond inlaying jewellery products. As of December 31, 2024, current prepayments, deposits and other receivables amounted to RMB395.5 million (2023: RMB399.4 million), representing a year-on-year decrease of 1.0%, which was primarily caused by a decrease in rights to returned goods asset, which was in line with the decrease in sale volume of the Group's gold products.

Pledged/restricted deposits

Pledged and restricted deposits mainly consisted of deposits pledged to banks to secure banking facilities, security deposits for issuance of notes payable, security deposits for gold loans, security deposits for gold trading accounts and others. As of December 31, 2024, pledged/restricted deposits amounted to RMB466.6 million (2023: RMB528.8 million).

Cash and cash equivalents

As of December 31, 2024, cash and cash equivalents amounted to RMB556.2 million (2023: RMB155.9 million). Such increase was mainly attributable to the unutilized net proceeds from the issue of H Shares under the global offering as set out in the prospectus of the Company dated November 21, 2024 (the “**Prospectus**”).

Trade and bills payables

Trade payables primarily related to purchase of raw materials and finished goods and are non-interest bearing. Bills payables were in relation to bank bills that were applied to settle with an independent third-party supplier for procurement of gold materials from it. All bills payable by the Group were with a maturity period of less than one year.

As of December 31, 2024, trade and bills payable amounted to RMB394.1 million (2023: RMB511.8 million), representing a year-on-year decrease of 23.0%, which was primarily caused by a decrease in usage of bills payables to settle for procurement of raw materials.

Other payables and accruals

Other payables and accruals mainly represented deposits received, salaries, welfare and bonus payable, accrued expenses, and other tax payable. As of December 31, 2024, other payables and accruals amounted to RMB144.4 million (2023: RMB139.1 million), representing a year-on-year increase of 3.8%, which was caused by an increase in listing expenses payable.

Contract liabilities

Contract liabilities represented the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities were expected to be recognized as revenue in the next 12 months. The contract liabilities arose when customers made advance payment to the Group for their purchases, which the customers can fix the purchase price of the gold jewellery to be purchased in advance. As of December 31, 2024, contract liabilities amounted to RMB106.1 million (2023: RMB42.2 million), representing a year-on-year increase of 151.4%, which was primarily attributable to part of the Group's promotional policy, under which franchisees made advanced payments to secure priority in selecting gold jewellery products during the Chinese New Year gold sales season.

Gold loans

The Group borrows gold from commercial banks for three months to 12 months and pays a fixed fee to bank for the duration of the contract based on the value of gold at inception and relevant interest rates at inception. As of December 31, 2024, gold loans amounted to RMB359.1 million (2023: RMB502.5 million), representing a year-on-year decrease of 28.5%, which was generally in line with the slower sales of gold products.

Refund liabilities

Under the Group's standard contract terms, except for closures of stores, franchisees have no right to return any goods after their acceptance of the products but have a right to exchange unsold diamond inlaying jewellery within five years. Revenue is recognized for sales when it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. Conversely, if the goods are expected to be exchanged, a refund liability, instead of revenue, is recognized. Simultaneously, the Group recognizes a right to returned goods asset, measured at the carrying amount of the inventories sold less any expected costs to recover the goods, with a corresponding adjustment to the cost of sales. As of December 31, 2024, the Group recorded refund liabilities of RMB49.5 million (2023: RMB71.3 million), representing a year-on-year decrease of 30.6%, which was primarily caused by slower sales in diamond inlaying jewellery products.

Capital expenditures

As of December 31, 2024, the Group had capital expenditure of RMB165.1 million (2023: RMB101.1 million) primarily for property, plant and equipment, leasehold lands and intangible assets.

Capital commitments

As of December 31, 2024, the Group had capital commitment of RMB5.4 million (2023: RMB8.3 million) in respect of property, plant and equipment.

Contingent liabilities

The Group had no significant contingent liabilities, litigation or arbitration of material importance as of December 31, 2024.

Liquidity, Financial Resources and Capital Structure

As of December 31, 2024, the Group had total assets of RMB4,934.6 million (2023: RMB4,021.0 million) and interest-bearing borrowings of RMB1,348.9 million (2023: RMB790.0 million), representing a gearing ratio, defined as total borrowings divided by total equity, of 54.4% (2023: 41.1%).

As of December 31, 2024, the Group had net current assets of RMB1,996.5 million (2023: RMB1,352.9 million) consisted of current assets of RMB4,238.9 million (2023: RMB3,404.2 million) and current liabilities of RMB2,242.4 million (2023: RMB2,051.3 million), representing a current ratio of 1.9 times (2023: 1.7 times).

As of December 31, 2024, the Group had cash and cash equivalents and pledged/restricted bank deposits of RMB1,022.8 million (2023: RMB684.7 million). As of December 31, 2024, the Group had cash and cash equivalents of RMB556.2 million (2023: RMB155.9 million).

As of December 31, 2024, the Group's borrowings amounted to RMB1,348.9 million (as of December 31, 2023: RMB790.0 million), which were mainly borrowings in RMB, among which all adopted fixed interest rates. The increase in borrowings of the Group was mainly used for general/operational needs.

Other Significant Events during the Reporting Period

Save as disclosed herein, there had been no significant events which would materially affect the Group's operating and financial performance during the Reporting Period.

OUTLOOK

2025 is expected to be a challenging year for the entire industry, marked by international geopolitical tensions, macroeconomic uncertainties, uncertain consumption sentiments, and high gold prices. Following a sustainable development strategy, the Group continues strengthen its competitive position in high-purity gold jewellery products and accelerate the intelligent transformation and upgrading of its production facilities.

The Group plans to expand both domestic and international markets through online and offline collaborative efforts and continue to expand its franchise network actively in 2025, focusing on key development areas, and seeks opportunities to establish self-operated stores in selected markets to enhance its brand image. Meanwhile, the Group strives to consolidate its market position in third- and fourth-tier cities, while actively expanding into first- and second-tier markets to broaden its market coverage.

The Group intends to intensify its efforts in expanding the overseas market. Its revenue from overseas markets has shown strong growth momentum, gradually becoming a new revenue source for the Group. With a deep understanding of target markets, including local culture, customs, consumer preferences, and market demand, the Group intends to strengthen its overseas design team to create styles that resonate with local consumer needs while reflecting its brand value. It also intends to increase promotion efforts through participation in international exhibitions and events.

As a significant portion of the Group's success depends on its ability to maintain a strong brand image, it intends to continue to implement strategies to enhance brand recognition and reputation and launch marketing campaigns targeted at young consumers and high-net-worth individuals.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not have any significant investment, material acquisitions or disposal of subsidiaries, associates or joint ventures since the Listing Date and up to December 31, 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2024, save as disclosed in the Prospectus and herein, the Group had no plan for any material investment, disposal of or addition of capital assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 14, 2025, the Board passed resolutions, among others, on (i) the appointment of Mr. BAI Xianyue as the chairman of the Nomination Committee, (ii) the proposed adoption of a share award scheme for the H Shares (the “**Share Award Scheme**”); (iii) the proposed amendments of certain articles of association of the Company (the “**Articles of Association**”); and (iv) the proposed implementation of the H Share full circulation. On February 10, 2025, the Company's first 2025 extraordinary general meeting were held. Each of the following resolutions was duly passed as a special resolution of the Company:

- the adoption of the Share Award Scheme
- the authorisation to the Board and/or its authorised person to handle all matters relating to the Share Award Scheme
- the amendments to the Articles of Association

For further details, please refer to the announcements of the Company dated January 14, 2025 and February 10, 2025 and the circular of the Company dated January 15, 2025.

Save as disclosed above, there was no other significant event after the Reporting Period.

MARKET RISKS

The Group is exposed to various types of market risks from changes in market, such as commodity price risk, interest rate risk and risk of change in economic development.

Commodity price risk

A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans as well as derivative financial instruments of gold contracts, such as Au (T+D) contracts, to reduce its exposure to fluctuations in the gold price on gold products. Should the gold price go up, the Group would recognize a loss representing the increase in gold price compared to the contract price, and largely net against the increase in turnover of gold products as a result of gold price increase.

Interest rate risk

The Group's exposure to fair value interest rate risk relates primarily to pledged/restricted deposits, fixed-rate borrowings, gold loans and lease liabilities. The Group's exposure to cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances, which carry prevailing market interest rates. The Group manages interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the Reporting Period.

Risk of change in economic development

The Group's business is particularly sensitive to the economic development and the purchasing power of consumers in the PRC. Economic growth in the PRC over the past three decades has led to substantial growth in personal disposable income and has resulted in increasing purchasing power and greater demand for discretionary consumer products. Demand for gold jewellery products depends, in part, on the income and spending patterns of end consumers, which are affected by prevailing economic conditions. The Group intends to continuously develop and offer products with various designs and characteristics across different product categories that align with regional market trends and meet with consumers preferences.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange Limited on November 29, 2024 (the “**Listing Date**”). Based on the offer price of HK\$12.0 per H Share and 43,956,800 H Shares offered by the Company, the Company raised net proceeds of HK\$452.5 million (less underwriting fee and commissions and other relevant expenses, equivalent to HK\$75.0 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Up to December 31, 2024, none of the net proceeds had been utilized. All of the net proceeds were deposited with certain licensed financial institutions in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Since the Listing Date and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company has adopted and applied corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 to the Listing Rules as the Company’s own code of corporate governance practices. According to Rule 3.27A of the Listing Rules and the requirements stipulated in the terms of reference of the Nomination Committee, the Nomination Committee shall consist of at least three members and that the chairman of the Nomination Committee must be the chairman of the Board or an independent non-executive Director. Upon the resignation of Mr. SHA Nali with effect from December 31, 2024, the chairman of the Nomination Committee stayed vacant temporarily and there were only two members in the Nomination Committee. On January 14, 2025, Mr. BAI Xianyue, an independent non-executive Director, was appointed as the chairman of the Nomination Committee and the Company has re-complied with Rule 3.27A of the Listing Rules and the requirements as stipulated in the terms of reference of the Nomination Committee. Save as disclosed, the Board is of the view that since the Listing Date and up to December 31, 2024, the Company has complied with all the code provisions as set out in Part 2 of the CG Code, and satisfied substantially all of the recommended best practices requirements as set out in the Part 2 of the CG Code. The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix C3 to the Listing Rules as its own code of conduct for securities transactions by the Directors and the supervisors of the Company (the “**Supervisors**”). Having made specific enquiries to all the Directors and Supervisors, they confirm that they have complied with the required standards as set out in the Model Code since the Listing Date and up to December 31, 2024.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) consists of three members, namely Mr. WANG Gongyong (Chairman), Mr. HUANG Fangliang and Mr. BAI Xianyue, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with the management of the Company the annual results of the Group for the year ended December 31, 2024, including the accounting principles and practices adopted by the Group.

The Audit Committee is of the opinion that the preparation of the financial information complies with the applicable accounting standards, the requirements of the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 28, 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.3 per share (before tax) for the year ended December 31, 2024 in cash, amounting to a total dividend payment of RMB81.9 million. The proposed payment of final dividend is subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming AGM (as defined below). The proposed final dividend is expected to be paid no later than two months after the AGM. The Company will separately announce the exact expected dividend payment date. The proposed final dividend will be declared in Renminbi and paid in Hong Kong dollars to the holders of H Shares, the exchange rate of which will be calculated based on the exchange rate of Renminbi against Hong Kong dollars as announced by the People’s Bank of China on the business day prior to the AGM.

DIVIDEND TAX

According to the Law on Enterprise Income Tax of the People's Republic of China 《(中華人民共和國企業所得稅法)》 which came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, and its implementing rules, the Notice on the Issues Concerning Withholding and Paying Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) 《(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)》(國稅函[2008] 897號)), which was promulgated by the State Administration of Taxation and came into effect on November 6, 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from January 1, 2008 to non-resident enterprise shareholders, it is required to withhold and pay 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise Shareholders whose names appear on the Register of Members of H Shares, i.e. any Shareholders who hold H Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups. After receiving dividends, the non-resident enterprises Shareholders may apply to the competent tax authorities for enjoying treatment of tax treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such tax treaties (arrangement). After having verified that there is no error, the competent tax authorities shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant tax treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348)《(關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知)》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Nonresident Taxpayers (State Administration of Taxation Announcement 2015,

No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is currently scheduled to be held on May 16, 2025. The notice of the AGM will be available at the websites of the Company (www.mokingran.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

(a) Eligibility for Attending and Voting at the AGM

The register of members of the Company will be closed from Tuesday, May 13, 2025 to Friday, May 16, 2025 (both days inclusive) during which period no transfer of shares will be effected. In order to be entitled to attend the AGM of the Company, holders of H Shares are required to lodge their transfer forms accompanied by their share certificates and other applicable documents with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, May 12, 2025.

(b) Eligibility for Receiving the Proposed Final Dividend

Subject to the approval of the resolution for the proposed final dividend by the Shareholders at the AGM, the register of members of the Company will be closed from Thursday, May 22, 2025 to Tuesday, May 27, 2025 (both days inclusive), during which no transfer of shares will be effected. To be eligible for receiving the proposed final dividend, holders of H Shares whose transfer documents have not been registered are required to deposit all completed documents relating to share transfer accompanied by the relevant share certificates to the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, May 21, 2025.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.mokingran.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended December 31, 2024 will be published on the Company's and the Stock Exchange's websites and dispatched to the Shareholders in due course.

By order of the Board
MOKINGRAN JEWELLERY GROUP CO., LTD.
夢金園黃金珠寶集團股份有限公司
Wang Zhongshan
Chairman and Executive Director

Shandong, the People's Republic of China
March 28, 2025

As at the date of this announcement, the Board comprises (i) Mr. Wang Zhongshan, Ms. Zhang Xiuqin, Ms. Jiang Liying and Mr. Wang Zegang as executive Directors; and (ii) Mr. Wang Gongyong, Mr. Huang Fangliang and Mr. Bai Xianyu as independent non-executive Directors.