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OVERVIEW

We are a leading market player in China’s heritage gold (古法黃金) industry as recognized by the China Gold Association (中國黃金協會)*, epitomizing China’s intangible cultural heritage value and craftsmanship blended with international fashion aesthetics 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 32 boutiques in reputable commercial centers in 13 cities across China, 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 revenue 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 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

* 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.

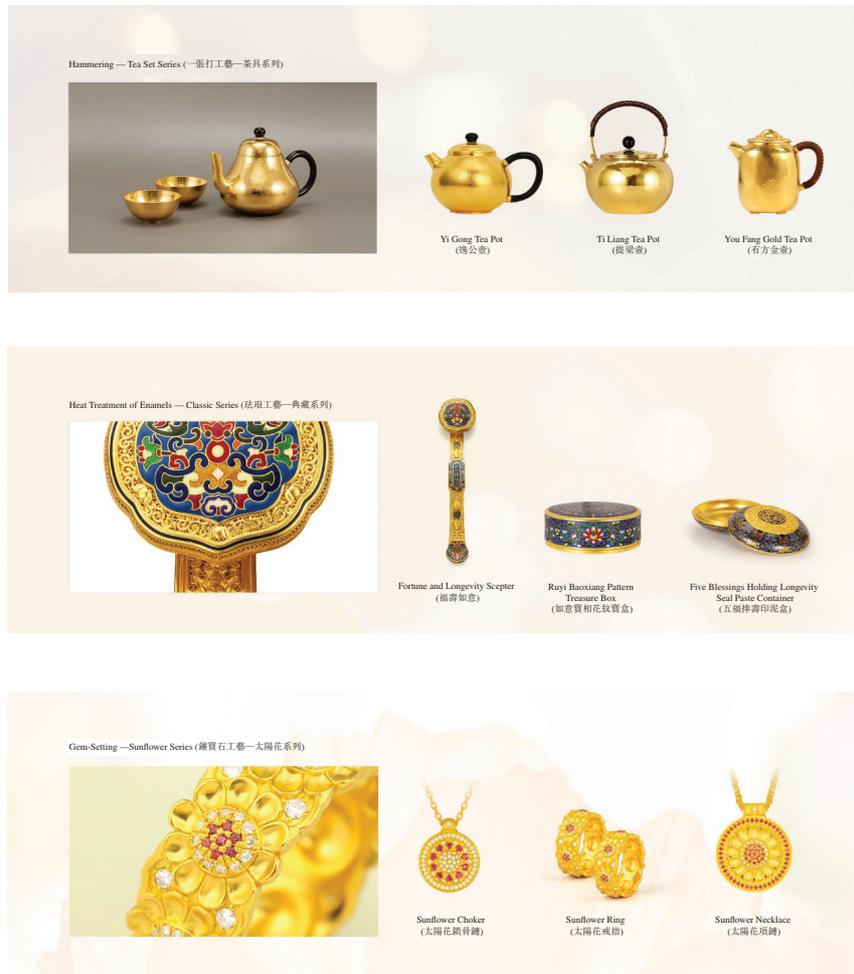
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in 2018 to approximately RMB157.3 billion in 2023 at a CAGR of 64.6%, and is expected to reach approximately RMB421.4 billion by 2028 at a CAGR of 21.8%. With the transition of main consumer group to the younger generation, there is an increasing market demand for gold jewelry products with strong aesthetic attributes, 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 and meticulous craftsmanship, epitomizing China’s intangible cultural heritage value and craftsmanship blended with international fashion aesthetics. 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. We adhere to a spirit of meticulous craftsmanship, and 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 December 31, 2023, we created approximately 1,700 original product designs and held copyrights of 1,073 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, sparking a new trend in the heritage gold industry, according to Frost & Sullivan. The below pictures showcase the style of our main products:



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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 32 boutiques, all located in shopping malls featuring high fashion 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 superb performances 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

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themed around classical Chinese study room scenes to largely enhance customer shopping experience. Our premium boutique locations naturally attract high-end 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

A Leading Market Player in China’s Heritage Gold Industry Epitomizing China’s Intangible Cultural Heritage Value

Our significant brand advantage is built upon our first-mover position. We are recognized by the China Gold Association (中國黃金協會) as a leading market player in China’s heritage gold industry 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 leading drafting unit (第一起草單位) 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;

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- 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 international 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.

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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, sparking a new trend in the heritage gold industry.

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.

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With over a decade of accumulation, we have delved into the research and development of a rich and diverse range of differentiated products, with approximately 1,700 original product designs to offer. 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 meticulous 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 superb performances 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 32 boutiques located in prime commercial centers, mostly in tier-one and new tier-one cities across China, including Beijing, Shanghai, Shenzhen, Nanjing, Hangzhou, Shenyang, Xi’an, Macau, and Hong Kong with four of our boutiques located in SKP malls, nine 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 meticulously 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.

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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.

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 meticulous 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 high-end Chinese jewelry brand. Our goal is to showcase traditional Chinese handcrafted gold jewelry, as a symbol of classic Chinese culture, on the world stage.

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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 industry-leading position. Our goal is to create a globally competitive high-end 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 high-end 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 35 new boutiques in mainland China in the next few 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 high-end Chinese jewelry brand with international competitiveness. We aspire to promote heritage gold, which represents the classic culture of Chinese tradition, to the

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world. For example, we plan to open approximately 12 new boutiques outside of mainland China, including Hong Kong, Macau, and Singapore, and gradually expand into other cities in the Asian market when opportunities arise.

We intend to apply a portion of the [REDACTED] we receive from the [REDACTED] to execute the above business strategies. For more details of our [REDACTED], see “Future Plans and [REDACTED] — [REDACTED]” in this document.

OUR PRODUCTS

We design, manufacture and sell high-end 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 leading 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 sophistication. 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 meticulously 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.

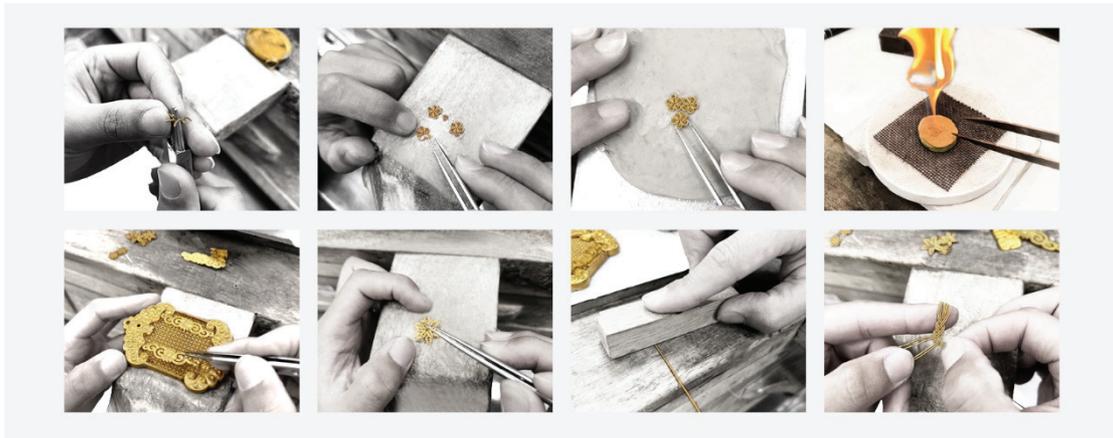
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Our Craftsmanship and Our Collections

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.

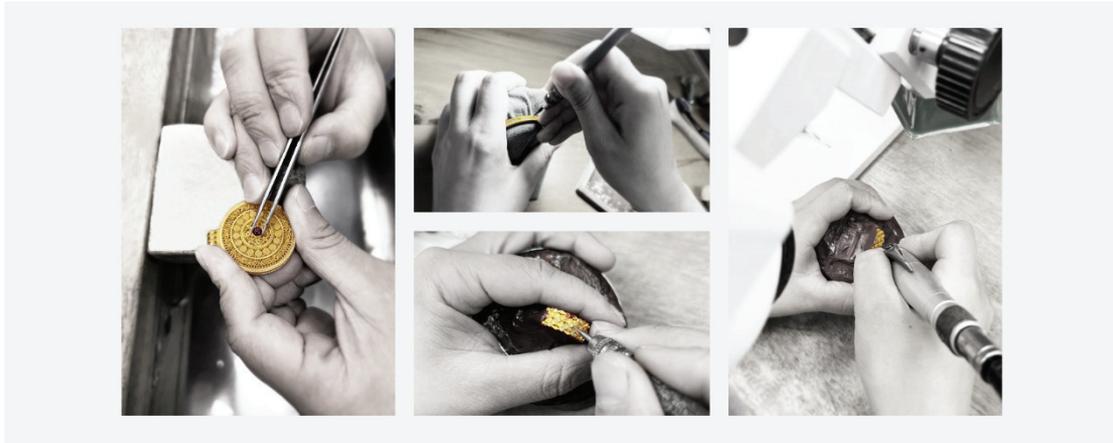


- **Carving (鑿刻).** Carving involves fixing the workpiece on a rubber plate by using various carving tools, striking the chisel with a hammer, and carving various patterns on the surface of the gold through diverse carving techniques.

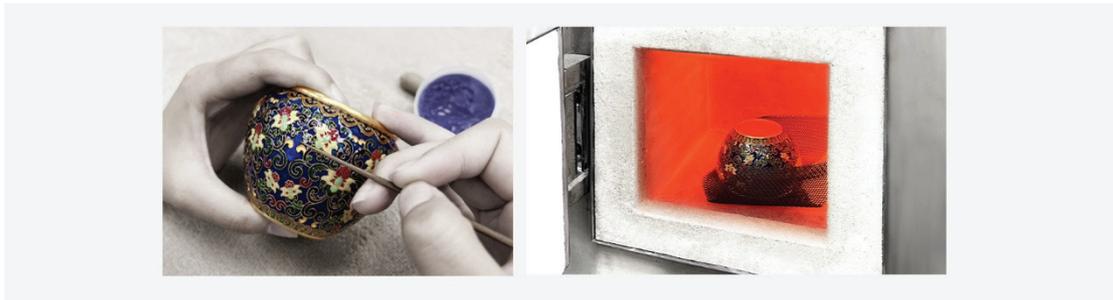


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- ***Inlay (鑲嵌)***. The inlay techniques is a decorative method wherein diamonds or other gemstones are seamlessly integrated into gold products.



- ***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.

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Product Design and Development Process

Our product design and development enabled us to create approximately 1,700 original product designs since our foundation and up to December 31, 2023, and we have been continuously improving our design and development capabilities over time. To be specific, in 2021, 2022, 2023, and from December 31, 2023 to the Latest Practicable Date, we updated and iterated 156, 127, 136, and 52 products, and launched 100, 105, 119, and 30 brand new products. As of the Latest Practicable Date, we had a total of approximately 2,600 products under our LAOPU GOLD brand. We expect to further update and iterate 167 products and launch 161 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	
	RMB'000	%	RMB'000	%	RMB'000	%
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
Sub-total	194,709	15.4	180,351	13.9	383,790	12.1
Total revenue	1,264,603	100.0	1,294,220	100.0	3,179,564	100.0

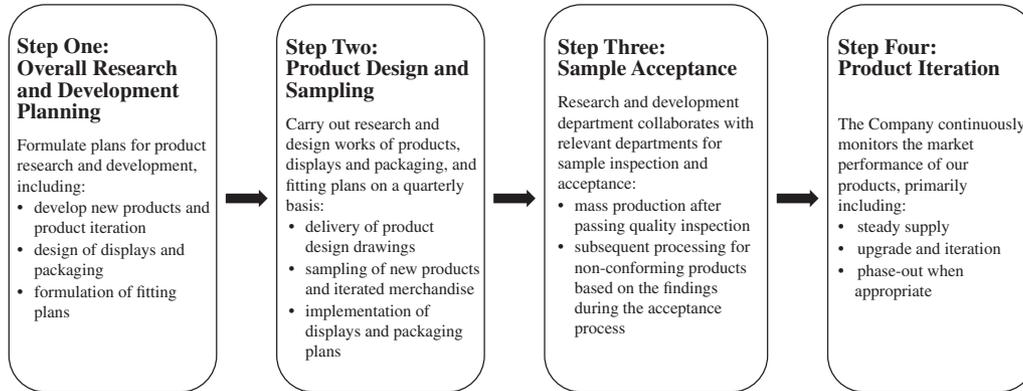
The product design and development process consist of the following steps:

- ***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.
- ***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.

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- **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 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 [REDACTED] from the [REDACTED] to the setting up of the R&D center, see “Future Plans and [REDACTED]” 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 five-axis precision engraving equipment and 3D scanner, to

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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.

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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 60 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.

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 document.

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 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 fluctuation in gold

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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).

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 ⁽¹⁾	Revenue as a Percentage of Total Revenue ⁽²⁾			
	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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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
Total	<u>1,264,603</u>	<u>100.0</u>	<u>1,294,220</u>	<u>100.0</u>	<u>3,179,564</u>	<u>100.0</u>

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 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 ⁽¹⁾	Average Selling Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Selling Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Selling Price ⁽²⁾
	<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.

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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 strong aesthetic attributes 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 aesthetic and 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.

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 strong aesthetic attributes 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 aesthetic and 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.

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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
Total	<u>521,001</u>	<u>41.2</u>	<u>542,138</u>	<u>41.9</u>	<u>1,331,957</u>	<u>41.9</u>

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.

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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.

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.

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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 ⁽¹⁾	1,135,357	89.8	1,126,308	87.0	2,818,483	88.6
Online platforms ⁽²⁾	129,246	10.2	167,912	13.0	361,081	11.4
Total	<u>1,264,603</u>	<u>100.0</u>	<u>1,294,220</u>	<u>100.0</u>	<u>3,179,564</u>	<u>100.0</u>

Notes:

- (1) Including sales from pop-up stores which we opened as promotional events for a short period of time, typically ranging from several days to one month. For further details, see “— Marketing and Promotion — Our Marketing Strategy and Promotion Channels” in this document.
- (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 32 boutiques covering 13 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 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.

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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	2
Number of closed boutiques .	1	1	2	—
Number of boutiques at the end of the period	22	27	30	32

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
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

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No.	Boutique Name	Type	Commencement Date	Closing Date	Expiry Date of Lease/Concession Agreement	Fixed or Variable Rent/Concession Fee
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
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

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No.	Boutique Name	Type	Commencement Date	Closing Date	Expiry Date of Lease/Concession Agreement	Fixed or Variable Rent/Concession Fee
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

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.

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.

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No.	Boutique Name	Location	Type	Commencement		Reason for Closing
				Date	Closing Date	
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:

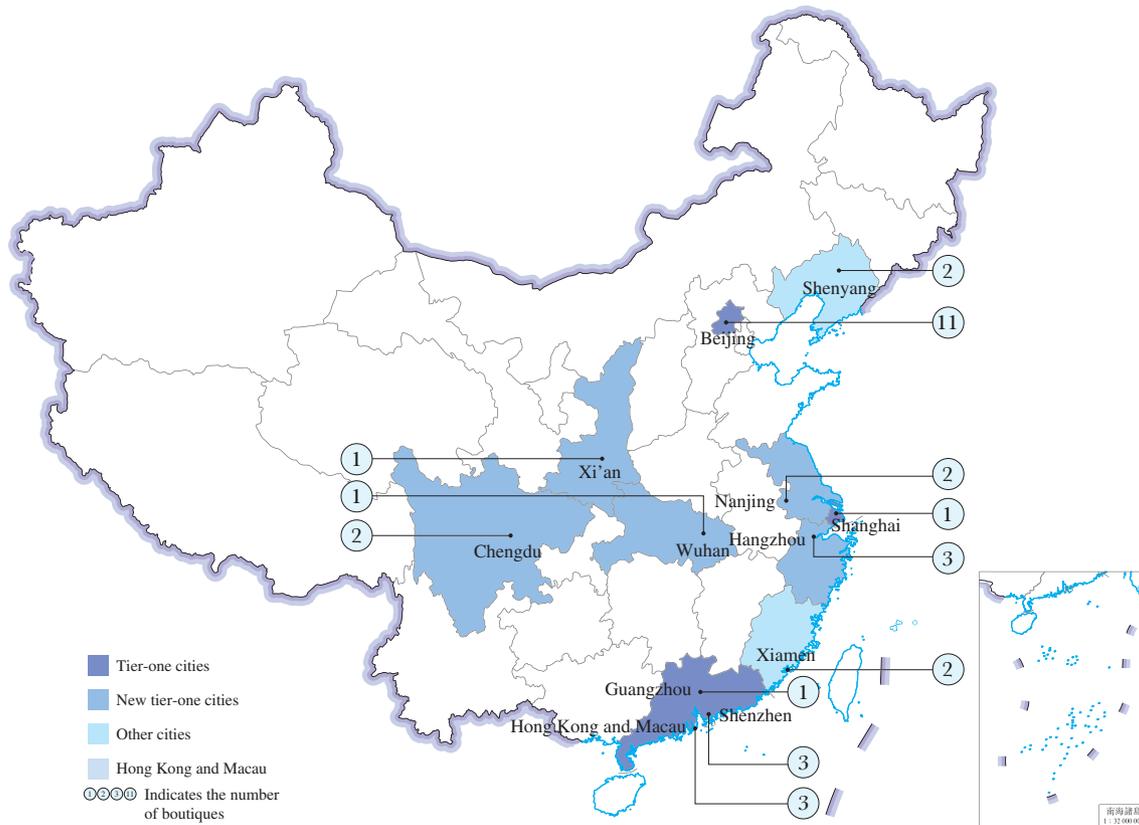
	Year Ended December 31,					
	2021		2022		2023	
	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss	Revenue	Operating Profit/Loss
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 . Hong Kong Harbor City Boutique (香港海港城店)	667	(743) ⁽¹⁾	-	-	-	-
2 . Fuzhou MixC Boutique (福州萬象城店)	-	-	2,361	(1,463) ⁽²⁾	-	(103) ⁽²⁾
3 . Tianjin MixC Boutique (天津萬象城店)	11,454	1,118	23,259	3,088	1,891	(102) ⁽³⁾
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.

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The following map sets forth the relevant geographic information of our boutique network as of the Latest Practicable Date:

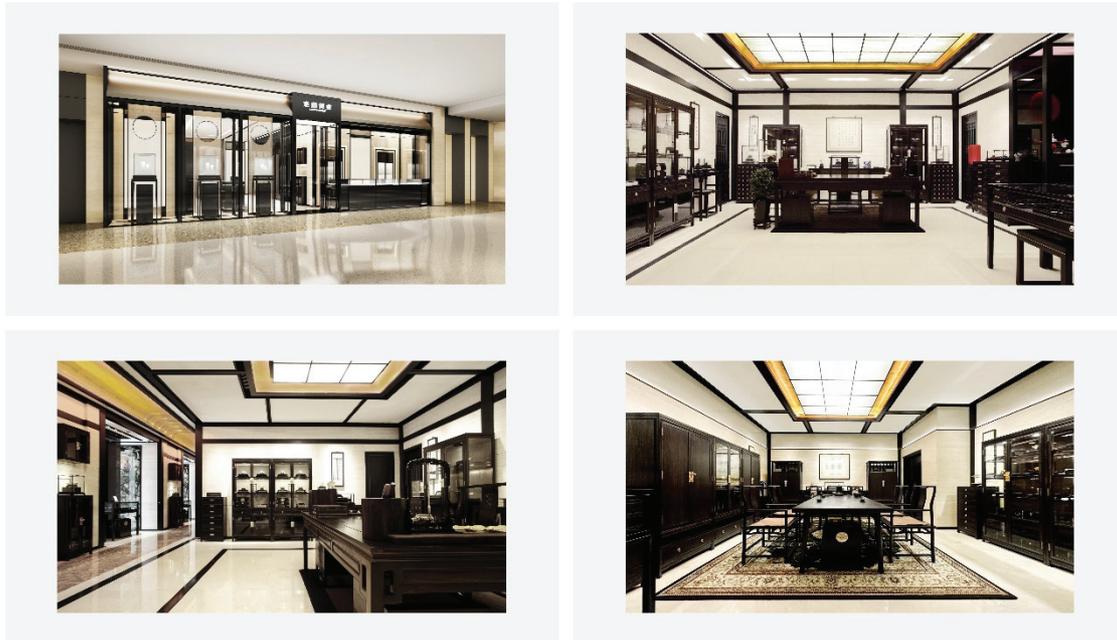


Design and Experience of Our Boutiques

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 meticulously 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.

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Please see below for photographs of our boutiques.



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 21 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:

	<u>Lease Agreement</u>	<u>Concession Agreement</u>
Duration	Varies from one year to five years and is renewable upon mutual agreement	
Rent/Concession Fee	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	

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	<u>Lease Agreement</u>	<u>Concession Agreement</u>
Minimum Sales Target	Not meaningful ⁽¹⁾	
Other Fees and Tax Charges	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.	
Collection of Sales Proceeds	Sales proceeds are typically collected by us. ⁽²⁾	Sales proceeds are typically collected by shopping malls.
Payment and Settlement	<ul style="list-style-type: none">• We invoice end customers for the sales of our products.• On a monthly basis, we generally pay the shopping malls rent and other fees.⁽²⁾	<ul style="list-style-type: none">• Shopping malls invoice end customers for the sales of our products.• On a monthly basis, shopping malls pay us sales proceeds from end customers less concession fees and other fees.
Termination	Terminable by either party upon the occurrence of certain specific events, such as material breach of the counterparty.	

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 by wire transfer will be collected by MixC malls and remitted to us on a monthly basis after deducting rent and 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.

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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
				451,156	35.7	481,865	37.2	1,242,690	39.1	

Note:

* Referring to the commencement date of the boutique that first opened in the corresponding shopping mall.

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.

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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 strong aesthetic attributes 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 aesthetic and 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 gold inventories. Among the 36 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 34 boutiques had achieved initial breakeven and cash investment payback since opening. Specifically,

- We had 32 boutiques as of the Latest Practicable Date. Except for Beijing Gongmei Emporium Boutique (北京工美大廈店), Beijing Oriental Plaza Boutique (北京東方新天地店)⁽¹⁾ and Hong Kong Canton Road Boutique (香港廣東道店)⁽²⁾, the average initial breakeven period of the other 29 boutiques was approximately one month, and the average cash investment payback period of the same boutiques was approximately six months;

Notes:

- (1) 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.
- (2) The initial breakeven period of Hong Kong Canton Road Boutique (香港廣東道店) was approximately one month. As it was newly opened on March 31, 2024, as of the Latest Practicable Date, information regarding its cash investment payback period was not available to us.

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- 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 month, 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.

Our Boutique Network and Strategy

Our boutiques are mostly located in luxury and fashion 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	
Mainland China*	21	26	28	29
Tier-one cities	11	13	15	16
New tier-one cities	7	8	9	9
Other cities	3	5	4	4
Hong Kong	–	–	–	1
Macau	1	1	2	2
Total	22	27	30	32

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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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 35 new self-operated boutiques in mainland China in the next few 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 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 12 boutiques covering Hong Kong, Macau, Singapore and other Asian cities 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 four years, as well as our current presence in these target markets:

Location	Number of Existing Boutiques as of the Latest Practicable Date	Number of Boutiques to be Established in the Next Four Years
The PRC Market		
Tier-one cities	16	10
New tier-one cities	9	12
Other cities (primarily including provincial capitals)	4	13

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Location		Number of Existing Boutiques as of the Latest Practicable Date	Number of Boutiques to be Established in the Next Four Years
The Overseas Markets	Hong Kong	1	3
	Macau	2	2
	Singapore	–	2
	Other Asian cities (Tokyo, Bangkok, Kuala Lumpur, etc.)	–	5
	Total	32	47

In formulating our expansion plan of 47 boutiques in the next four 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 25 boutiques as of the Latest Practicable Date, and we plan to open around 22 new boutiques in these cities in the next four 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, we are one of the leading players in terms of presence in high-end shopping malls in tier-one and new tier-one cities, but as compared to other players, our penetration rate in tier-one and new tier-one cities still has a large room for improvement. For details, see “Industry Overview — Competitive Landscape” in this document. 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 other cities, we plan to open around 13 boutiques in the next four years, primarily targeting provincial capitals. We believe that the heritage gold jewelry market in these cities have great growth potential in the future and, at present, the demand for high quality products in these cities is severely underserved, though currently we have limited presence in these cities. We believe that our premium brand image and the assertive style and high-quality of its

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products will fill the local market gap, and our expansion plan in these cities will enable us to gain first-mover advantages in the emerging markets. For details of the market size and competitive landscape of these cities, see “Industry Overview — Heritage Gold Jewelry Market in the PRC — Introduction” in this document.

In addition, the Chinese government has been actively encouraging and cultivating the development of a large number of high end Chinese brands in a variety of different industries. Examples include the *Guidance on Promoting Brand Building in the New Era* (《關於新時代推進品牌建設的指導意見》), the *Outline of the 14th Five-Year Plan and Vision 2035* (《十四五規劃及2035遠景目標綱要》) and the *Outline of Building a Strong Country* (《強國質量建設綱要》), where the Chinese government mentioned its plan of building high end Chinese brands several times. We believe that our unwavering commitment to craftsmanship exemplifies the high-end standards that the Chinese government seeks to foster, and our brand positioning aligns with the type of high end brands the Chinese government intends to cultivate.

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 Chinese population), and gradually expands into other cities in the Asian market such as Tokyo, Bangkok, and Kuala Lumpur when opportunities arise. For details of the market size and competitive landscape of these markets, see “Industry Overview” in this document. 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 and aesthetics, (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.

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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, 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 approximately 1,700 different original designs. 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 December 31, 2023, we had a total of 1,678 SPUs and 2,511 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 strong aesthetic attributes, 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.

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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 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 document.

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 [REDACTED]%, or approximately HK\$[REDACTED] million of [REDACTED] we receive from the [REDACTED] to support our expansion plans in China and overseas. For more details, see “Future Plans and [REDACTED] — [REDACTED]” in this document.

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 leading, 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.

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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.

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 document.

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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 — Seasonality” in this document.

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 aesthetics and 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:

	2021	2022	2023
Purchase Amount (RMB'000)			
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
Purchase Volume			
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 ⁽¹⁾	374.4	392.0	453.5
Average annual spot price	374.5	392.2	449.9

Notes:

(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>
Gold purchased (as raw materials)	717,610,225	2,162	664,748,396	1,912	1,987,065,283	4,908
Gold sold (as finished goods)	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/carat, RMB3,355/carat and RMB2,780/carat, 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 diamond 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 the average purchase price for all diamond purchased in 2022 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 Trach 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 agreements. 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 document. 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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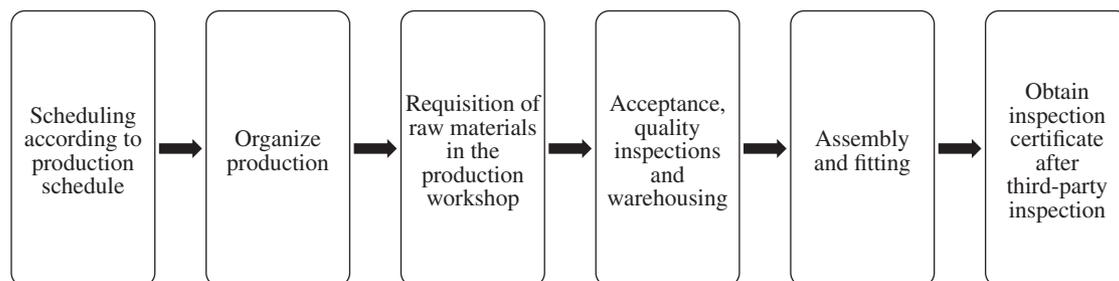
Since we primarily use gold, which is a commodity with standardized specifications available from a wide range of suppliers in the market and are widely traded on precious metal exchanges with transparent spot prices, we are not subject to significant risks in relation to shortages or delays in the supply 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 document.

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) ⁽¹⁾ . . .	1,465,000	1,487,000	2,466,000
Actual Production Volume (g)	1,464,883	1,373,285	2,754,346
Utilization Rate (%) ⁽²⁾	100.0	92.4	111.7

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 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.

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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 aesthetic control of products, product development, high-end process implementation, 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 65 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, 2023 to the Latest Practicable Date
Retention Rate (%) ⁽¹⁾	88.9	100.0	94.7	98.1
Utilization Rate (%) ⁽²⁾	100.0	92.4	111.7	121.7

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, 2023, and the period from December 31, 2023 to the Latest Practicable Date left for personal reasons.

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

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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 production 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.

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

BUSINESS

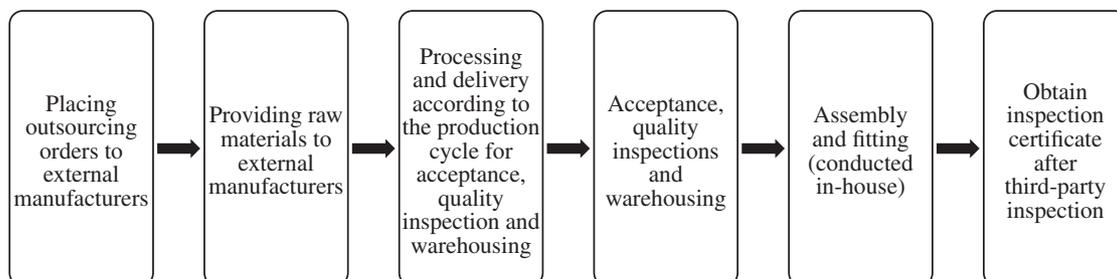
manufacturers are calculated based on the weight of the products and the difficulty of crafting techniques used. We typically settle with our external manufacturers by payment upon their completion of processing services under a credit term of 30 to 60 days.

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.

The following diagram illustrates our outsourced production process.



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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.

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

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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 strong aesthetic attributes, 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 document.

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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 malls, giving them even more room to offer lower prices to their end-customers

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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 high-end 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. Certain of our customers, upon enquires, had expressly confirmed their identities as Buyer Customers (the “**Confirmed Buyer Customers**”). In 2021, 2022 and 2023, revenue contributed by the Confirmed Buyer Customers amounted to RMB25.3 million, RMB50.3 million and RMB209.5 million, 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 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

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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, during the Track Record Period, 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 high-end 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, aesthetics, 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 Document. 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	%
Number of Loyalty Members . . .	≥1 million	53	0.1	57	0.1	138	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

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Purchase Amount per Loyalty Member	2021		2022		2023	
	Revenue (RMB'000)	% of total Revenue	Revenue (RMB'000)	% of total Revenue	Revenue (RMB'000)	% of total Revenue
Revenue contribution						
≥1 million	107,980	8.5	130,195	10.1	505,387	15.9
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
Total revenue from Loyalty Members	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:

Purchases in each year	2021			
	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)
1-5	35,906	98.3	1,044,865,843	82.6
6-30	598	1.6	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 ⁽¹⁾	N/A	N/A	32,769,526	2.6
Total	36,512	100.0	1,264,602,984	100.0

Purchases in each year	2022			
	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)
1-5	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 ⁽¹⁾	N/A	N/A	32,446,108	2.5
Total	40,266	100.0	1,294,220,315	100.0

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Purchases in each year	2023			
	Number of Loyalty Members	Percentage (%)	Revenue (RMB)	Percentage (%)
1-5	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 ⁽¹⁾	N/A	N/A	125,864,300	4.0
Total	93,096	100.0	3,179,564,724	100.0

Note:

- (1) “Others” refer to customers who made the purchases from us but did not enroll in the Loyalty 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.

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:

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- 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

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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 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 document.

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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For 2022

<u>Supplier</u>	<u>Suppliers' Background</u>	<u>Products or Services Supplied</u>	<u>Credit Term</u>	<u>Purchase Amount (RMB'000)</u>	<u>Percentage of Total Purchase (%)</u>	<u>Length of Relationship</u>
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. (深圳市福緣工坊文化發展有限公司) .	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.

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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 Document. 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
Sales to the Overlapping* Customer-Supplier				
Revenue ('000)	4,562	–	–	–
As a percentage of				
total revenue (%)	0.5	–	–	–
Gross profit ('000)	1,126	–	–	–
Purchases from the Overlapping* Customer-Supplier				
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.

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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 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.

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. In this case, members 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.
- 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.

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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 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.

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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 document.

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

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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 document.

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 leadtime, 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.

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.

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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:

Year	Accreditation/Award	Accreditation Organization
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 [REDACTED] 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

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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 [REDACTED] 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.

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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 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 document.

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.

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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.

- Water and sewage treatment . .** 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.
- Use of electricity . .** 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.
- Waste gases . .** 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.
- 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.

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- 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.

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 ₂ emission (tons)*	206.7	229.3	388.3

Note:

* Refers to CO₂ emitted from the consumption of electricity at our Yueyang Factory.

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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
Total	483.0	177.6	36.9

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.

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.

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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

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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.

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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.

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.

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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 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 is currently a Category A 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. 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). Since the establishment of the boutique and up to the

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Latest Practicable Date, the boutique did not engage in any Specified Cash Transaction, and was therefore not required to record and verify the real names of its cash-settling customers. Lao Pu (Hong Kong) Co., Ltd. is currently in the process of applying for Category B registration, and the Hong Kong Canton Road Boutique will strictly follow the relevant customer due diligence and record-keeping requirements after it is allowed to engage in the Specified Cash Transaction in the future. We will also amend its internal control measures accordingly;

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.

IMPACT OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of the COVID-19 pandemic has materially and adversely affected the global economy. Governments around the world implemented strict measures to control the outbreak of the pandemic, including school and business closures, travel restrictions, border controls and workplace shutdowns. On account of the restrictions imposed, traditional sales channels, such as offline stores, were temporarily closed. According to Frost & Sullivan, the outbreak of the COVID-19 pandemic and the relevant subsequent

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control measures have influenced the offline sales growth and luxury fashion purchases 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.

In line with government guidelines, we implemented precautionary measures to maintain a hygienic environment for our employees and customers. These measures include (i) purchasing and distributing masks, gloves, hand sanitizers and other cleaning supplies, (ii) disinfecting our boutiques, offices and warehouses, and (iii) requiring our employees to take preventive isolation measures as the case may be.

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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-bound 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 document. 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 document.

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.

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 document.

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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 992 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
Geographic Location		
Mainland China	942	95.0%
Hong Kong and Macau	50	5.0%
Total	992	100.0%

	Number	Percentage of Total Number
Function		
Administrative	219	22.1%
Sales and marketing	457	46.1%
Production*	303	30.5%
Research and design	13	1.3%
Total	992	100.0%

Note:

* Including 65 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.

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.

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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. 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. 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.

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 Chaoyang 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.

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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 document.

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 [REDACTED] 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.

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 document. Our Audit Committee is responsible for ensuring that the processes and procedures recommended by our external auditors are implemented in a timely manner.