

SUMMARY

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

OVERVIEW

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

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

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

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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 in 2018 to approximately RMB157.3 billion in 2023 at a CAGR of 64.6%, and is expected to reach approximately RMB421.4 billion by 2028 at a CAGR of 21.8%. With the transition of main consumer group to the younger generation, there is an increasing market demand for gold jewelry products with unique cultural and brand identity, and a sophisticated fashion sense. With our first-mover advantages in the heritage gold jewelry industry, dedication in product design and manufacture, continuing innovation in product research and development, and quality customer service offerings, we believe we are well-positioned to capture the huge growth of China’s heritage gold jewelry market.

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

We have established market presence in reputable commercial centers of tier-one and new tier-one cities in China. As of the Latest Practicable Date, we self-operated a total of 33 boutiques, all located in shopping malls with stringent entry requirements, such as SKP and MixC (萬象城). According to Frost & Sullivan, as of April 2024, we covered eight out of the top ten high-end shopping malls nationwide, ranking first among all domestic gold jewelry brands in terms of the coverage rate. We not only successfully entered into these shopping malls, but also achieved outstanding sales performance in them. For example, in 2023, our two boutiques located in Beijing SKP generated a total revenue of RMB335.8 million, achieving a monthly revenue per sq.m. of approximately RMB440,574. To put it in context, Beijing SKP is one of the world’s most productive shopping malls in terms of sales per sq.m., and its monthly sales per sq.m. in 2023 was approximately RMB17,740.6. With our high-quality brand identity, as well as the track records of our existing boutiques, we believe that we have gained a strong channel expansion capability, enabling us to systematically open new boutiques at coveted positions in reputable commercial centers with stringent entry requirements. For example, after the successful collaboration with Beijing SKP, we have established boutiques in

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other shopping malls of the SKP group, such as Xi’an SKP, Chengdu SKP, and DT51. Such win-win collaborations with top commercial centers achieves a virtuous cycle that continuously drives our growth. Moreover, our boutiques are themed around classical Chinese study room scenes to largely enhance customer shopping experience. Our premium boutique locations naturally attract high net-worth consumers that perfectly match with our brand positioning, and the premium environments of our boutiques serve as a testament to our brand identity. In addition, we also reach consumers nationwide through online channels, including our flagship stores on Tmall and JD.com, which are independent third-party e-commerce platforms, as well as our WeChat Mini Program that we developed to optimize our customer experience and increase our online sales.

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

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

OUR COMPETITIVE STRENGTHS

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

OUR DEVELOPMENT STRATEGIES

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

OUR PRODUCTS

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

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

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pure gold jewelry	655,375	51.8	661,002	51.1	1,394,282	43.9
Gem-set jewelry	603,061	47.7	629,528	48.6	1,780,658	56.0
Others*	6,167	0.5	3,690	0.3	4,624	0.1
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 percentage of the sales of gem-set jewelry products of our total revenue increased during the Track Record Period, mainly as we launched new series of gem-set jewelry products embedded with innovative craftsmanship and novel designs in late 2019. We have no plan to change our business focus in spite of such change in revenue contribution from pure gold jewelry and gem-set jewelry. Going forward, we will continue to focus on offering quality heritage gold jewelry products and keep introducing new styles of products, including both pure gold jewelry and gem-set jewelry.

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>

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

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

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

PRODUCT SALES

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

	Year Ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Boutiques ⁽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.

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

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

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

Note:

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

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

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

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.

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

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

Note:

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

For 2021 and 2022, we had 18 same stores, whose sales decreased by 17.6% from RMB1,107.3 million in 2021 to RMB911.9 million in 2022, which was primarily due to the temporary closure of some of our boutiques as a result of the impact of the COVID-19. Specifically, in 2022, 16 of the 18 same stores were temporarily closed for a period ranging from three days to 42 days under the COVID-19 pandemic. For 2022 and 2023, we had 21 same stores, whose sales increased significantly by 115.4% from RMB1.0 billion in 2022 to RMB2.2 billion in 2023, which was mainly due to (i) the recovery of economic activities in 2023, whereas our sales were affected by the COVID-19 in 2022; (ii) consumers’ preference for high-quality heritage gold jewelry products with the upgrading of consumption concept; (iii) our increased brand awareness; (iv) the iteration and upgrade of our product series; and (v) the

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increase in gold price, which (a) boosted consumers’ willingness to purchase heritage gold products resulting in a higher sales volume, mainly as gold jewelry products not only have consumption values, but are also considered by many consumers as having certain investment values, given that gold is a kind of safe-haven asset, especially when the domestic and global political and economic environment is faced with uncertainty, and (b) led to a corresponding increase in the prices of our products.

PRICING

We carefully consider several key factors to determine the prices of our products. These factors include the material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand. Although fluctuation in material costs, especially gold prices, is indeed one of the factors we consider when pricing our products, we believe that such fluctuation is manageable, as we from time to time adjust our procurement plan of raw materials based on the actual market and production demand. Specifically, our supply chain department adjusts our procurement plans on a monthly basis after considering the historical sales turnover and anticipated sales trend provided by our sales department. Upon issuing procurement orders each month, our supply chain department would then follow up on the progress of the procurement, utilization of raw materials in production, and stock level of raw materials. As such, even without any hedging instruments to manage fluctuation in gold price, we are able to reduce the risk of overstocking of gold materials and mitigate the impact of the cost fluctuation on our business operation and financial performance. Each piece of our gold jewelry products is subject to a fixed price upon launch and such price generally will not be simply adjusted along with the fluctuation of our material and production costs. Our management will review the prices of our products periodically and adjust the prices, if needed, after comprehensively considering various factors, including raw material and production costs, the difficulty of crafting techniques, and the market positioning of our brand as well as market demand, among others, to ensure our profitability and brand strategy. To ensure a consistent and unwavering brand image, our gold jewelry pieces are priced uniformly across all our offline and online boutiques; but from time to time, we participate in promotional events hosted by third-party platforms, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). We offer discounts pertaining to the policy of our customer Loyalty Program. See “Business — Product Warranty and Customer Services — Customer Services — Customer Loyalty Program” in this document. 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%

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Selling Price Range per Piece ⁽¹⁾	Revenue as a Percentage of Total Revenue ⁽²⁾			
	Year Ended December 31,			
	2021	2022	2023	
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.

OUR CUSTOMERS

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

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

OUR SUPPLIERS

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

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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. We have maintained a stable relationship with Gongmei Group for the supply of gold for around eight years. We procured the majority of our gold materials from Gongmei Group during the Track Record Period primarily because we have established deep trust and a smooth communication mechanism with Gongmei Group through years of business cooperation. Moreover, we have never met any impediment of renewing the gold supply framework agreement with Gongmei Group upon its expiration. Therefore, we believe that the likelihood of the relationship with Gongmei Group to be subject to material adverse change or termination is low. Even if Gongmei Group no longer supplies gold for us, there are many other gold suppliers readily available in the market to supply gold to us at comparable prices. According to the Shanghai Gold Exchange, it has over 140 general and financial members, and each of them is qualified to purchase gold from Shanghai Gold Exchange for non-member organizations like us. Based on the above, we believe that our supplier concentration risk is manageable. For more details, see “Business — Our Customers and Suppliers — Our Suppliers” and “Risk Factors — Risks Relating to Our Business and Industry — We procure raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms or at all.” in this document.

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.

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

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

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

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

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,264,603	1,294,220	3,179,564
Cost of sales	(743,602)	(752,082)	(1,847,607)
Gross Profit	521,001	542,138	1,331,957
Other income and gains	5,566	4,277	2,650
Selling and distribution expenses	(262,435)	(297,177)	(579,347)
Administrative expenses	(89,121)	(94,117)	(167,571)
Research and development expenses	(8,411)	(8,525)	(10,720)
Other expenses, net	(720)	(2,853)	(5,318)
Finance costs	(11,671)	(16,973)	(18,182)
Profit Before Tax	154,209	126,770	553,469
Income tax expense	(40,329)	(32,241)	(137,167)
Profit for the Year	113,880	94,529	416,302
Attributable to: Owners of the Company	113,880	94,529	416,302

Revenue

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

Gross Profit

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

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Net Profit

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

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

Summary of Consolidated Statements of Financial Position

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

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

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

Our net current assets further increased from RMB713.6 million as of December 31, 2022 to RMB1,301.7 million as of December 31, 2023, primarily due to (i) an increase in inventories of RMB461.1 million, and (ii) an increase in trade receivables of RMB276.1 million; partially offset by (i) an increase in other payables and accruals of RMB76.3 million, (ii) an increase in trade payables of RMB52.6 million, and (iii) an increase in lease liabilities of RMB29.9 million. We had a relatively considerable amount of inventories during the Track Record

SUMMARY

Period, with turnover days of 357 days, 383 days and 205 days in 2021, 2022 and 2023, respectively. Although we generally do not have a significant amount of slow-moving or obsolete stock, we may retain a portion of finished products for display at our boutiques, which are normally sold at a slower pace than our other finished products. For more details, see “Financial Information — Discussion of Selected Items for Consolidated Statements of Financial Position — Inventories” in this document. We have in place a comprehensive inventory management and security system. The inventory levels of our gold jewelry products at our boutiques are determined by product display standards, the sales turnover, and anticipated sales trend. Our management and sales team proactively track and monitor the turnover and inventory level at each boutique based on sales information that is updated in our IT system on a real-time basis. For more details, see “Business — Our Logistics and Inventory Management — Inventory Management” in this document.

Our net assets increased from RMB770.3 million as of December 31, 2021 to RMB869.6 million as of December 31, 2022, mainly reflected changes in equity primarily resulting from our total comprehensive income for the year of RMB97.4 million and share-based payments of RMB1.9 million. Our net assets further increased from RMB869.6 million as of December 31, 2022 to RMB1,515.4 million as of December 31, 2023, mainly reflected changes in equity resulting from our total comprehensive income for the year of RMB415.5 million, issuance of ordinary shares of RMB225.0 million, and share-based payments of RMB8.6 million, offset by share issue expenses of 3.2 million.

Summary of Cash Flow Statements

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

	Year Ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital changes . . .	231,955	227,679	705,986
Changes in working capital	(82,130)	(47,403)	(608,623)
Cash generated from operations	149,825	180,276	97,363
Interest received	123	168	350
Income tax paid	(47,702)	(31,946)	(126,909)
Net cash flows from/(used in) operating activities .	102,246	148,498	(29,196)
Net cash flows used in investing activities	(30,949)	(34,583)	(59,218)
Net cash flows from/(used in) financing activities .	(55,684)	(79,268)	98,973
Net Increase in cash and cash equivalents	15,613	34,647	10,559
Cash and cash equivalents at beginning of the year .	9,719	25,190	60,282
Effect of foreign exchange rate changes, net	(142)	445	(1,003)
Cash and cash equivalents at end of the year	25,190	60,282	69,838

SUMMARY

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

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

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

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

Key Financial Ratios

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

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

SUMMARY

Notes:

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

Gross Profit Margin

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

Net Profit Margin

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

Return on Equity

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

Return on Total Assets

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

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Current Ratio

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

Quick Ratio

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

Gearing Ratio

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

Debt to Equity Ratio

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

CONTROLLING SHAREHOLDERS

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

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

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

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

JOINT-CONTROL CONFIRMATION

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

PREVIOUS A-SHARE LISTING ATTEMPTS

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

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

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

SUMMARY

PRE-[REDACTED] INVESTMENTS

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

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED] million. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED] million.

We currently intend to apply these [REDACTED] for the following purposes:

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

DIVIDENDS

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

After completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating

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requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important.

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

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

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

[REDACTED] EXPENSES

We estimate that the [REDACTED] expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million) (including [REDACTED] of approximately RMB[REDACTED] million (HK\$[REDACTED] million), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the estimated [REDACTED] range) will be incurred by our Company, among which (i) [REDACTED]-related expenses, including [REDACTED] and other expenses are approximately RMB[REDACTED] million (HK\$[REDACTED] million) and (ii) non-[REDACTED]-related expenses are approximately RMB[REDACTED] million (HK\$[REDACTED] million), comprising (a) fees and expenses of legal advisors and accountants of approximately RMB[REDACTED] million (HK\$[REDACTED] million) and (b) other fees and expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million). As of December 31, 2023, we incurred a total of approximately RMB[REDACTED] million (HK\$[REDACTED] million) of [REDACTED] expenses, among which RMB[REDACTED] million (HK\$[REDACTED] million) were recognized in our statement of profit or loss, and RMB[REDACTED] million (HK\$[REDACTED] million) were expected to be deducted from equity.

We estimate that additional [REDACTED] expenses of approximately RMB[46.8] million (HK\$[REDACTED] million) (assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the estimated [REDACTED] range) will be incurred by our Company, among which approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be charged to our statements of profit or loss, and approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be deducted from equity. Our [REDACTED] expenses as a percentage of [REDACTED] is [REDACTED]%, assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the estimated [REDACTED] range and that the [REDACTED] is not exercised. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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[REDACTED] STATISTICS

The numbers in the following table are based on the assumptions that (i) the [REDACTED] had completed and [REDACTED] H Shares were issued in the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) [REDACTED] Shares are in issue and outstanding following the completion of [REDACTED].

	Based on the [REDACTED] of HK\$[REDACTED] per Share	Based on the [REDACTED] of HK\$[REDACTED] per Share
Market capitalization of our Shares⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Market capitalization of our H Shares⁽²⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The calculation of market capitalization of our H Shares is based on [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) including the conversion of [REDACTED] Unlisted Shares into H Shares.
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are in issue assuming the [REDACTED] have been completed on December 31, 2023. For more details, please refer to the section headed “Appendix II — Unaudited [REDACTED] Financial Information” in this document.

SUMMARY OF MATERIAL RISK FACTORS

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

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Business Expansion

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

No Material Adverse Change

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

CSRC Filing

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

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

IMPACT OF THE COVID-19 PANDEMIC

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

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

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

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

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.

SUMMARY

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