

# **2022 Annual Report**

**DR Corporation Limited**

**April 2023**

## Message to Shareholders

To the respectable shareholders of DRCO:

Insisting on the corporate value of customer orientation since foundation, DR Corporation Limited (DRCO) has reaped some achievements through continuous product innovation and service improvement. By the end of 2022, we totally served over 1.5 million couples, which is an achievement. But we all understand that behind success lies countless challenges and obstacles.

In the stuttering year of 2022, much fiercer market competitiveness and changing industrial landscape posed new challenges to DRCO. Although of performance decline for the first time just after our initial listing, we believe growth space and opportunities are bred from weakness and changes.

Nowadays, DRCO has ushered in a new development stage, presenting a fresh new start. As the traffic-driven era comes to an end, we'll pursue sustainability and devote to products and services that deliver compounding effects over time during this favorable window period of resources integration. Consequently with deep root in the market and stronger core competitiveness, DRCO will create significant values to our shareholders and customers.

### Original aspiration

With enhancing joy and beauty of true love as our aspiration, we constantly strive to discover, witness and spread love and romance.

Instead of some business logic or model, DRCO roots in a dream for everlasting and happy emotional relationship. It's this dream that drives us to be a century brand and witness of more true love.

A brand represents consumers' trust and their awareness and appraisal of a company's products, services and cultural values.

Established based on consumers' recognition and confidence, DRCO benefits them from our long-term development. A really classic brand must be time-proven and become durable through impact of trends. Upholding people orientation, our aspiration and vision aim to please and connect customers, and accompany their growth and affection.

Jewelry is generally preferred as the best carrier for expressing and testifying love. Especially as the saying goes, "A Diamond is Forever".

### Focus on long-term values

Due to agriculture civilization, the peaceful family & national spirits and inheritance of Chinese culture, Chinese people traditionally prefer to precious gold and low-key jade. Nowadays, diamonds that are introduced from the west with deep connotation of true love have gained high popularity among the youth.

DRCO enjoys sustainable brand values by dominating the most memorable moments for people and representing the sole love cherished by each female.

Although of various challenges, we believe our persistency toward the right direction is bound to create long-term values for our shareholders. Moreover, our brand power stems from the expression of love with pure, strong and unshakable promise, reflecting the most lasting and underlying demand of human beings.

We always center our decisions around customers, and identify market recognition of our brand in line with key indicators like word of mouth and customer growth. We've been investing considerable resources to expand our customer base, raise brand image and bolster technologies, so as to build sustainable competitiveness in the market.

Our pursuit of long-term brand values and decision-making may differ from other companies. Therefore, we'd like to share key ideas on our strategies with shareholders to guarantee the same goal:

- We spare no efforts to meet customer demands and improve their online & offline experiences;
- Powered by brand building, we pay greater attention to offline operating efficiency and product design and processing;
- We continue to make decisions based on long-term development, which sometimes may affect short-term results;
- We will endeavor to reduce cost and increase efficiency as we recognize the importance of cost control in the highly competitive industry;
- We will further attract and retain excellent talents who are essential to build up a vigorous team with common goals and achieve success;
- We attach great importance to ESG and insist on sustainability strategy for our long-term development while advocating our core values to help maintain stable marriage and contribute to social harmony.

### **Powerful coordination like Diamonds**

Like many other top enterprises, we work to recruit and retain the talents with the sense of responsibility and ownership, whom we depend on to advance in the right direction instead of just data analysis. Excellent employees are crucial to address difficulties in business operation, forge a great brand and build up a remarkable organization. We call for powerful coordination and thinking collision among excellent talents to inject inexhaustible power to corporate development.

### **The first curve & the second curve of DRCO growth**

For the past decade and beyond, we have been committed to forging DR brand into worldwide No.1 brand of engagement rings, which is definitely the first curve of our development. By communicating the true-love culture, DR products, no matter of one ring or a series, will be deemed as customers' sole and prime choice for proposal and expression of love in the lifetime. Undoubtedly brand and cultural confidence will create huge opportunities for Chinese brands, while increasingly differentiated and segmented consumer demands are pushing various new consumptions like DTC (Direct-to-Consumer).

Our second curve highlights expression of love, multi-brand and global footprints. The corresponding strategy is created in two aspects: further development of our strength by fully leveraging our resources, and meaningful efforts in boosting customer happiness, creating a wonderful scenario, etc.

### **Four priorities for 2023**

We'd take this chance to inform our shareholders of the four priorities for 2023 identified in the

annual employee meeting.

**Brand-driven innovation:** in order to advocate true love and witness move love, DRCO has made comprehensive plans and preparation around our brand, including evolution of brand contents and communication, high brand-awareness products and implementation of impressive activities. All of these efforts will gradually take effects.

**Love-oriented service system:** DRCO products are designed to go through from the once-in-a-life promise to lifetime happiness, which requires a considerate business and service system to interconnect our customers. Since the latter half of 2022, we have embarked on the infrastructure construction of an omnichannel operating and marketing system, and will propel integrated online & offline business throughout the customers lifecycle.

**Talent cultivation and reform of management mechanism:** attracting more talents are valuable to our development goals and one of major reasons behind our listing. In 2023, DRCO will start at organizational upgrading, for which more and more talents with the same ideology are needed to realize our strategies.

**Result-driven delivery with higher standards and efficiency:** great efforts should be made to create a high-performance culture, leading to lots of benefits such as better products and services for customers.

### **Proactive development for a bright future**

Each of our new goals and decisions is made in practical and feasible manner and we always can find out new insights into the company, brands and customers by deeply communicating with regional managers and sales champions.

The recipe for success is simple, but requires deliberate planning and actions.

Last but not least, we on behalf of the Board of Directors, sincerely appreciate every shareholder for your understanding and expectations that hopefully come true.

Mr. Zhang Guotao and Mrs. Lu Yiwen, founders of DRCO

April 26, 2023

## Part I. Important Notes, Contents and Terminology

The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of DRCO warrant that the information of this annual report is true, accurate and complete without any false statements, misleading statements or material omissions, and they shall assume individual and joint legal responsibility.

Both Zhang Guotao, the legal representative of DRCO and Huang Shuirong, the head of the financial department in charge of the corporate accounting confirm the financial statements contained in the annual report are true, accurate and complete.

All directors have attended the board meeting at which this report was deliberated.

Any forward-looking statements in this report that address future plans and objectives do not constitute material commitments by DRCO to investors and investors and related parties should be aware of the risks involved and should understand the differences between plans, projections and commitments.

DRCO is required to comply with the disclosure requirements for jewelry-related business specified in the *Self-disciplinary Supervision Guidelines No.3 for Companies Listed on Shenzhen Stock Exchange - Industry Information Disclosure*.

DRCO has disclosed in details the risks and countermeasures that DRCO may face in the "11. Future Development Outlook" under the " III. Management Discussion and Analysis" of this report. Investors are recommended to pay attention to investment risks.

According to the profit distribution plan approved by the Board of Directors, a cash dividend of RMB10.00 (including tax) for every 10 shares and zero bonus share (including tax) to all shareholders, as well as zero share to be transferred to all shareholders from capital reserve for every 10 shares.

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## Documents Available for Inspection

- I Financial statements signed and sealed by DRCO's legal representative, and the head of the financial department in charge of the corporate accounting;
- II Original copy of the auditors' report sealed by the accounting firm, and signed and sealed by the certified public accountants;
- III All original copies of DRCO's announcements and documents publicly disclosed on the websites designated by China Securities Regulatory Commission (CSRC) in the reporting period;
- IV Original copy of the 2022 annual report, which has been signed by DRCO's legal representative;
- V Other documents available for inspection.

The above documents are available for inspection at DRCO's Investment and Securities Affairs Department.

## Terminology

Terms	Definition
Company, DRCO and DR Corporation	DR Corporation Limited
Darry Corporation	Shenzhen Darry Jewelry Co., Ltd., the predecessor of DR Corporation Limited
DR Investment	DR Investment (Zhuhai) Co., Ltd., formerly known as Shenzhen DR Investment Co., Ltd., is the controlling shareholder of DRCO.
Wendi No.1	Gongqingcheng Wendi No.1 Investment Management Partnership (LP), a shareholder of DRCO
Wendi No.2	Gongqingcheng Wendi No.2 Investment Management Partnership (LP), a shareholder of DRCO
Wendi No.3	Gongqingcheng Wendi No.3 Investment Management Partnership (LP), a shareholder of DRCO
Darry Qianhai	Shenzhen Darry Commercial Management Services Co., Ltd., a wholly-owned subsidiary of DRCO
Love Only AI	Shenzhen Love Only AI Cloud Technology Co., Ltd., a wholly-owned subsidiary of DRCO.
Haoduo Diamond	Haoduo Diamond (Shenzhen) Co., Ltd., a wholly-owned subsidiary of DRCO
Shanghai Darry	Shanghai Darry Diamond Co., Ltd., a wholly-owned subsidiary of DRCO.
Chongqing Darry	Chongqing Darry Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Couple Shenzhen	Couple Only (Shenzhen) Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
He'er Culture	He'er Culture (Shenzhen) Co., Ltd., formerly known as Shenzhen Shechushe Jewelry Co., Ltd., is a wholly-owned subsidiary of DRCO.
Xiamen DR Jewelry	Xiamen DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Shenyang DR Jewelry	Shenyang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Tianjin DR Jewelry	Tianjin DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Chengdu DR Jewelry	Chengdu DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO.
Kunming DR Jewelry	Kunming DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO.
Shanghai DR Jewelry	Shanghai DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Suzhou Zhongzuan DR Jewelry	Suzhou Zhongzuan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Jinan DR Jewelry	Jinan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Shenzhen DR Jewelry	Shenzhen DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO

Beijing Zhongzuan DR Jewelry	Beijing Zhongzuan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Suzhou DR Jewelry	Suzhou DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO.
Shenyang DR Jewelry Accessories	Shenyang DR Jewelry Accessories Co., Ltd., a wholly-owned subsidiary of DRCO.
Hangzhou DR Jewelry	Hangzhou DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Beijing DR Jewelry	Beijing DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Wuhan DR Jewelry	Wuhan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Wuhan Zhongzuan DR Jewelry	Wuhan Zhongzuan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Xi'an DR Jewelry	Xi'an DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Chengdu DR True Love Jewelry	Chengdu DR True Love Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Ningbo DR Jewelry	Ningbo DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Beijing Huazuan DR Jewelry	Beijing Huazuan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Chongqing DR Jewelry	Chongqing DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Hangzhou Darry True Love Jewelry	Hangzhou Darry True Love Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Henan DR Jewelry	Henan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Xi'an DR Jewelry Accessories	Xi'an DR Jewelry Accessories Co., Ltd., a wholly-owned subsidiary of DRCO
Zhengzhou DR Jewelry	Zhengzhou DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Shenzhen DR Jewelry Accessories	Shenzhen DR Jewelry Accessories Co., Ltd., a wholly-owned subsidiary of DRCO
Shenzhen DR Jewelry Ornament	Shenzhen DR Jewelry Ornament Co., Ltd., a wholly-owned subsidiary of DRCO
Changsha DR Jewelry	Changsha DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Shanghai DR Jewelry Accessories	Shanghai DR Jewelry Accessories Co., Ltd., a wholly-owned subsidiary of DRCO
Shanghai DR Jewelry Sales	Shanghai DR Jewelry Sales Co., Ltd., a wholly-owned subsidiary of DRCO
Zhoukou DR Jewelry	Zhoukou DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Yiwu DR Jewelry	Yiwu DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Heze DR Jewelry	Heze DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO

Dongguan DR Jewelry	Dongguan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Xining DR Jewelry	Xining DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Linyi DR Jewelry	Linyi DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Yinchuan DR Jewelry	Yinchuan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Weifang DR Jewelry	Weifang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Nanchang DR Jewelry	Nanchang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Jining DR Jewelry	Jining DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Mianyang DR Jewelry	Mianyang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Fuyang DR Jewelry	Fuyang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Shangqiu DR Jewelry	Shangqiu DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Urumqi DR Jewelry	Urumqi DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Handan DR Jewelry	Handan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Baoding DR Jewelry Sales	Baoding DR Jewelry Sales Co., Ltd., a wholly-owned subsidiary of DRCO
Guangzhou DR Jewelry	Guangzhou DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Guiyang DR Jewelry	Guiyang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Langfang DR Jewelry	Langfang DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Foshan DR Jewelry	Foshan DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Jiaxing DR Jewelry	Jiaxing DR Jewelry Co., Ltd., a wholly-owned subsidiary of DRCO
Haoduo Diamond Zhizao	Haoduo Diamond Zhizao (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Haoduo Diamond (Shenzhen) Co., Ltd.
Hong Kong DR GROUP	DR GROUP COMPANY LIMITED, a wholly-owned subsidiary of Shenzhen Love Only AI Cloud Technology Co., Ltd.
Hong Kong DR	DARRY JEWELRY (HK) LIMITED, a wholly owned subsidiary of DR GROUP COMPANY LIMITED
Couple Hong Kong	Couple Only Jewelry HongKong Company Limited , a wholly owned subsidiary of DR GROUP COMPANY LIMITED
French DR JEWELRY	DR JEWELRY, a wholly owned subsidiary of DR GROUP COMPANY LIMITED
Qianhai Wendi	Shenzhen Qianhai Wendi Management Consulting Co., Ltd.
EveryYear Travel Photography	Shenzhen EveryYear Travel Photography Culture Co., Ltd.

Wendi Design	Zhuhai Wendi Design Consulting Co., Ltd.
Wendi Technology	Zhuhai Wendi Technology Co., Ltd.
Zhuhai Wendi No.1	Zhuhai Wendi No.1 Investment Partnership (LP)
DR	A jewelry brand owned by DR Corporation Limited
Reporting Period	January 1, 2022 – December 31, 2022
Articles of Association	Articles of Association of DR Corporation Limited
Listing	Listing and trading of DRCO's shares on the Shenzhen Stock Exchange
Yuan or RMB	Renminbi, the lawful currency of the PRC
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SDE	Shanghai Diamond Exchange
Shenzhen Administration for Market Regulation	Shenzhen Administration for Market Regulation
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Carat (in Ct)	A unit of mass (weight) of gems. The weight of a carat of diamonds is equal to 200 milligrams or 0.2 grams of diamonds. One carat can be subdivided into 100 points for calculation of smaller diamonds; therefore, a 50-point diamond is 0.5 carat.
Finished Diamond	The diamond after cutting, polishing and other processing that can be used to make jewelries
Gold jewelry	Jewelry with gold as the main raw material
m <sup>2</sup>	Square meter, a unit to measure the area
DTC	Direct to Customer, a direct-to-consumer business model

## Part II. Company Profile and Key Financial Indicators

### I. Basic Information

Stock abbreviation	迪阿股份	Stock Code	301177
Chinese name	迪阿股份有限公司		
Chinese abbreviation	迪阿股份		
English name (if any)	DR Corporation Limited		
English abbreviation (if any)	DRCO		
Legal representative of DRCO	Zhang Guotao		
Registered Address	Room 306, Wing Building of Luohu Investment Holding Building, No. 112 Qingshuihe 1st Road, Qingshuihe Community, Qingshuihe Street, Luohu District, Shenzhen		
Postal code	518023		
History of changes in registered address	On February 18, 2022, the registered address of DRCO was changed from "Room 1108-1115 (Room 8~15, 11th floor), Fu Ga Park Building at Intersection of Cuishan Road and Wenjin North Road, Dongxiao Street, Luohu District, Shenzhen" to "Room 306, Wing Building Luohu Investment Holding Building, No. 112 Qingshuihe 1st Road, Qingshuihe Community, Qingshuihe Street, Luohu District, Shenzhen"		
Office address	12th and 13th Floor, Tower C, China Resources Land Building, Nanshan District, Shenzhen		
Postal code	518057		
Company's global website	<a href="http://www.darryringgroup.com">http://www.darryringgroup.com</a>		
E-mail	IR@darryring.com		

### II. Contact Information

	Board secretary	Securities affairs representative
Name	Huang Shuirong	Wang Tong
Address	13th Floor, Tower C, China Resources Land Building, Nanshan District, Shenzhen	13th Floor, Tower C, China Resources Land Building, Nanshan District, Shenzhen
Telephone	0755-86664586	0755-86664586
Fax	0755-86725390	0755-86725390
E-mail	IR@darryring.com	IR@darryring.com

### III. Information Disclosure and Place for Inspection

Website of the stock exchange for publishing DRCO's annual report	Shenzhen Stock Exchange (SZSE): <a href="http://www.szse.cn">www.szse.cn</a>
Name and website of media designated for publishing the annual report	Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News, <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Place for inspection of DRCO's annual report	Investment and Securities Affairs Department of DRCO

#### IV. Other Relevant Information

##### Accounting firm engaged by DRCO

Name of accounting firm	Ernst & Young Hua Ming LLP (Special General Partnership)
Office address	Room 01-12, 17th Floor, EY Tower, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing
Names of signing accountants	Liao Wenjia and Chen Huijin

##### Sponsor engaged by DRCO to perform continuing supervision during the reporting period

Applicable  Not Applicable

Name of Sponsor	Office address	Name of sponsor representative	Continuous supervision period
China Securities Co., Ltd.	35th Floor, Shenzhen Media Group Tower, Pengcheng 1st Road, Futian District, Shenzhen	Hu Fangxing and Fang Yifeng	December 15, 2021 - December 31, 2024

##### Financial advisers engaged by DRCO to perform continuing supervision during the reporting period

Applicable  Not Applicable

#### V. Key Accounting Data and Financial Indicators

##### Whether DRCO needs to retroactively adjust or restate the accounting data of the previous years

Yes  No

	2022	2021	YoY Changes	2020
Revenue (RMB)	3,681,574,412.68	4,622,729,780.48	-20.36%	2,464,497,974.60
Net profit attributable to shareholders of the parent company (RMB)	729,241,946.67	1,301,768,398.86	-43.98%	563,304,918.84
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses (RMB)	613,246,940.64	1,248,508,013.88	-50.88%	540,418,472.80
Net cash flow from operating activities (RMB)	818,011,112.24	1,544,212,850.71	-47.03%	893,551,134.53
Basic earnings per share (RMB/share)	1.82	3.62	-49.72%	1.56
Diluted earnings per share (RMB/share)	1.82	3.62	-49.72%	1.56
Weighted average return on net assets	10.68%	32.61%	-21.93%	63.02%
	At the end of 2022	At the end of 2021	YoY Changes preceding year	At the end of 2020
Total assets (RMB)	8,815,748,380.27	8,269,184,150.24	6.61%	1,931,631,364.56

Total equity attributable to shareholders of the parent company (RMB)	6,803,046,203.96	6,866,575,701.17	-0.93%	1,118,352,286.90
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The lower of DRCO's net profit before or after deduction of non-recurring profit or loss for the last three financial years is negative and the audit report for the latest year indicates that there is uncertainty about DRCO's ability to continue as a going concern.

Yes No

The lower of DRCO's net profit before or after deduction of non-recurring profit or loss is negative.

Yes No

## VI. Key Financial Indicators on Quarterly Basis

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	1,221,199,779.32	864,133,585.54	957,699,618.41	638,541,429.41
Net profit attributable to shareholders of the parent company	375,842,072.65	202,683,468.47	193,992,549.30	-43,276,143.75 <sup>1</sup>
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses	342,352,186.63	147,753,013.94	143,385,918.79	-20,244,178.72 <sup>2</sup>
Net cash flows from operating activities	428,576,836.89	39,667,794.16	245,669,005.45	104,097,475.74

Notes:

1. The negative net profit attributable to shareholders of parent companies in the fourth quarter is mainly due to the following reasons: ① a significant decline in revenue due to external environmental influences; ② it was a result of the fair value change of the financial assets because of some factors including adjustments of financial policies and the changes in the market expectations for economic development; ③ the provision for impairment loss in some stores was also an important reason.

2. The net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses was negative, mainly due to a significant decline in revenue due to external environmental factors; On the other hand, mainly due to the provision for impairment losses in some stores.

Whether the above financial indicators or their combined total are materially different from corresponding financial indicators disclosed in DRCO's quarterly and interim reports

Yes No

## VII. Accounting Data Differences Under Domestic and Foreign Accounting Standards

### 1) Difference in net profit and net assets in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the PRC Accounting Standards for Business Enterprises

Applicable  Not Applicable

There is no difference in net profit and net assets in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the PRC Accounting

Standards for Business Enterprises during the reporting period.

**2) Difference in net profit and net assets in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC Accounting Standards for Business Enterprises**

Applicable  Not Applicable

There is no difference in net profit and net assets in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC Accounting Standards for Business Enterprises during the reporting period.

**VIII. Non-recurring Profit/Loss Items and Amounts**

Applicable  Not Applicable

Unit: RMB

Item	Amount in 2022	Amount in 2021	Amount in 2020	Description
Gains/(Loss) on disposal of non-current assets (including the write-off portion of the provision for impairment of assets)	1,244,949.25	-732,715.39	-416,861.00	
Tax refunds or reductions with ultra vires approval or without official approval documents or occurred contingently	162,770.75	150,631.39	599,131.38	
Government grants (except for government grants which are closely related to normal business operations of DRCO, in compliance with national policies and regulations, and conform with the amount or quantities at certain standards on an ongoing basis) charged to gains or losses for the period	23,433,558.47	11,022,474.28	7,961,026.39	
Gains from fair-value change arising from trading financial assets and trading financial liabilities held and investment gain from disposal of trading financial assets and trading financial liabilities, other than effective value protection hedges relating to DRCO's ordinary course of business	128,297,407.98	59,197,417.83	22,249,157.37	Gains and losses on changes in fair value of financial assets held for trading, and investment income from wealth management products during the reporting period.
Other non-operating income or expenses other than the above items	468,656.88	-898,421.18	-713,574.51	
Less: Income tax effect	37,612,337.30	15,479,001.95	6,792,391.96	
Effect of minority interest (after tax)			41.63	
Total	115,995,006.03	53,260,384.98	22,886,446.04	--

Details of other gain/loss items that meet the definition of non-recurring gains/losses:

Applicable  Not Applicable

DRCO has no other items in line with the definition of non-recurring gains/losses.

Explanation on defining the non-recurring items in the No.1 Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public - Non-recurring Gains and Losses as recurring

items

Applicable Not Applicable

Item	Amount involved (RMB)	Explanation
VAT refund upon collection for the actual tax burden on diamond imports exceeding 4%	15,833,085.31	Government grants that comply with national policies and continue to enjoy in accordance with certain standard quotas or quantities

## Part III. Management discussion and analysis

### I Industrial situation during the reporting period

DRCO is required to comply with the disclosure requirements for "jewelry-related business" and "retail industry" specified in the *Self-disciplinary Supervision Guidelines No.3-Industry Information Disclosure* of companies listed on the Shenzhen Stock Exchange.

#### (I) Overview of macroeconomic environment and market conditions

In 2022, many factors such as geopolitical conflicts, global supply chain disruptions, energy crises and tightening inflation posed significant downside risks to the global economy. The domestic economy also faced challenges due to the turbulent international environment and various uncertainties. In 2022, China's GDP grew by 3.0% year-on-year. Among the three major industries, the service industry was the most seriously impacted. The per capita disposable income of residents nationwide was RMB36,883, growing by 2.9% after deducting price factors, which is basically synchronized with economic growth. Per capita consumption expenditure was RMB 24,538, down 0.2% in real terms (compared with growth of 12.6% a year earlier), accounting for 66.5% of disposable income (compared with 68.6% a year earlier). Despite the slowdown in economic development and the impact on consumer confidence, the Chinese economy continued to show great resilience. Under the Chinese government's working guideline of "striving for progress while maintaining stability," the national economy withstood the pressure and continued to develop, and various offline economic activities were under the recovery at the end of the year. In the World Economic Outlook report released by the International Monetary Fund (IMF) in Singapore, the expected growth rate of the global economy in 2023 was raised to 2.9% from 2.7% in October 2022, and the expected growth rate for China in 2023 was levelled up significantly to 5.2%. This clearly shows that the adjustment of China's domestic policies has greatly improved market sentiment for economic recovery.

In 2022, the General Office of the State Council successively issued the *Opinions on Accelerating the Development of New Types of Consumption with New Business Forms and Models* and the *Opinions on Further Unleashing Consumption Potential and Promoting the Sustainable Recovery of Consumption* to promote the orderly recovery and development of consumption. The report of the 20th National Congress of the Communist Party of China also emphasized efforts to boost domestic demands, strengthen the fundamental role of consumption in economic development and promote high-quality development. In December, the Central Committee of the Communist Party of China and the State Council issued the *Draft Strategic Plan for Expanding Domestic Demand (2022-2035)*, and the National Development and Reform Commission issued the *Implementation Plan of the "14th Five-Year Plan" for Expanding Domestic Demand*, which clearly states that "comprehensively promoting consumption and accelerating the upgrading of consumption quality" is an important task for expanding domestic demand, and sets out the relevant requirements and tasks. This means that China's consumer market has bid farewell to the era of arbitrary growth, and that consumer demand is constantly increasing, requiring high-quality products and services to meet both material and spiritual consumption needs.

#### (II) Overview of the development of the jewelry industry

According to the National Bureau of Statistics, the total retail sales of consumer goods in 2022 amounted to 43.97 trillion yuan, down 0.2% year on year. Among them, the total retail sales of gold, silver and jewelry above a certain size amounted to 301.4 billion yuan, down 1.1% year-on-year, combined with last year's high base, it reflects the strong resilience of China's Jewelry industry. According to the "2022 Development Report of China's Jewelry Industry" published by the Gems & Jewelry Trade Association of China (GAC), the total market volume of China's jewelry industry in 2022 was about 719 billion yuan, basically the same as that in 2021. The gold

products market was 410 billion yuan, down 2.4% year-on-year, the jade market was 147 billion yuan, up 14.8% year-on-year, and the diamond products market was 82 billion yuan, down 18% year-on-year.

Albeit a full recovery in 2021, the diamond jewelry market faced difficulties in 2022. Compared with other categories, the consumption scenarios of diamond products are relatively limited with relatively higher unit price, leading to bigger challenges in the context of declining wedding activities and increasing online sales of other categories. The Rapaport Diamond Price Index shows the price of 0.3 carat and 0.5 carat diamonds which used to rise steadily in the past years due to strong demands in the Chinese market fell by 7.7% and 10.8% respectively this year. This also indicates the weakness of domestic demand.

Generally speaking, China's jewelry industry repeatedly achieves breakthroughs and demonstrates tremendous vitality through active transformation under multiple challenges. With the recovery of offline consumption, many consumer goods including jewelry that meet people's desire for a better life will experience a revival. In the past three years, all categories of jewelry have been continuously innovated and improved in several dimensions from culture to technologies, achieving quantitative accumulation and qualitative transformation, such as more precise brand culture building, more efficient supply chains, more customized and diverse product design, and more comprehensive end-customer experience.

At present, China is already the largest gold consumer and the second largest diamond consumer in the world, and will usher in a new development pattern as the most promising jewelry consumer market in the world.

### **1. Market fluctuations accelerate industry restructuring, and industry concentration continuously shifts toward the top companies**

Under the pressure of economic downturn, the growing gap between enterprises in terms of performance, market share and competitiveness in the jewelry industry is becoming even more apparent, and market resources are continuously flowing into the top enterprises in the industry. This is conducive for jewelry brands with brand appeal and influence to integrate upstream and downstream resources more efficiently and expand market share. In the future, the degree of concentration in the industry will continue to increase. According to Euromonitor, from 2016 to 2022, the concentration ratio of China's jewelry industry constantly inclined toward the head companies, with the CR10 jumping from 17.2% to nearly 30%. The head companies still have potentials to further increase their market share in a relatively fragmented competitive landscape compared to 56% and 49% in Hong Kong, China and Japan respectively. As it is difficult for ordinary consumers to distinguish the quality and value of diamond jewelry, they rely more on brand trust when selecting jewelry. Jewelry companies with a high brand reputation will be preferred.

Considering stable growth of Chinese economy in the future and the steady rise in residents' income due to economic growth, it is expected that the Chinese jewelry industry will achieve stable growth under the dual promotion of industry concentration and expanded market share of the head companies. According to the statistics and forecasts of Statista, an international data institute, the compound annual growth rate of the market is expected to be 4.45% from 2023 to 2026 (according to the historical data published by GAC, the compound growth rate of major jewelry categories from 2013 to 2022 was 5.8% for diamonds, 3.3% for gold and 3.3% for jade). In addition to the demand side, the supply side gradually shifts from the traditional strategy focusing on sales and price competition to brand building and deep insight into consumers' behaviors and demands. These changes in response to the era of personalized consumption will also drive expansion of industrial scale.

### **2. The middle class continues to grow and it's possible for higher penetration rate of the industry**

As diamond is a kind of consumer goods with strong optional attributes, the continuous improvement in the disposable income of residents and the steady growth of the middle class have laid the foundation for a continuous improvement in the penetration rate of the domestic diamond and jewelry industry. According to De Beers and the World Bank, the per capita demand for diamond jewelry in 2021 was \$142 in the United States, \$40 in Japan and only \$7 in China. Compared with developed countries, China's consumption of diamond jewelry still has much room for improvement. On the other hand, according to the absolute income standard of the National Bureau of Statistics, there is a middle-income group of more than 400 million people in China, which is the largest and most promising middle-income group in the world. According to MGI data from the "2023 McKinsey China Consumer Report", the compound annual growth rate (CAGR) of the number of urban Chinese households with an annual income of more than 160,000 yuan (\$21,800) reached 18% from 2019 to 2021, from 99 million to 138 million; it is predicted that another 71 million households will enter this range by 2025, showing the huge potential of the Chinese consumer market.

From a product structure perspective, the current demand for jewelry in China has both investment and consumption attributes, and the emotional and cultural appeal and design aesthetics required for jewelry are continuously increasing as generations change. In 2020, the United States accounted for 48% of global diamond consumption, while China, ranked second, accounted for only 13% of the global market and less than one-third of the United States, indicating significant growth potential. In terms of consumption scenarios, the proliferation of diamond jewelry for weddings in China is expected to continue to increase. According to the "2018 Diamond Industry Insights Report" published by De Beers, the proportion of Chinese newlyweds who purchased diamond rings was only 47% in 2017. However, according to HUNLIJI's "2023 Wedding All-Category Consumption Trend Insights Report", diamond rings account for 81.3% of the preferred types of wedding jewelry, and 67.3% of couples opt for customized diamond rings. With the continuous increase in the number of middle-income and high-income families, and the continued increase in per capita consumption and market penetration, this is expected to further drive the rapid expansion of the jewelry industry.

### **3. Attention on changes in consumer demands is essential to the industrial long-term development**

From a consumer perspective, Chinese consumers' purchasing desires gradually turns to emotional values and personal taste instead of functions or basic living demands. The consumption behavior changes from buying mass products to personalized products and from offerings to goods and services, reflecting the customers higher interests in better quality and pleasure and satisfaction during the consumption journey. The diversification of material and spiritual consumption needs and focus on quality fuels the development of jewelry consumption. On the supply side, jewelry retailers used to center on practical value. However, as emotional element is increasingly important to the consumers, they prefer to brands that match their values and emotional needs. Therefore, emotional benefits and practical benefits are equally crucial for jewelry brands.

The changes in consumer behavior indeed owe to different consumption concepts brought about by generational change, which is underpinned by changed population structure with far-reaching impact on the consumer market. On May 11, 2021, the results of the seventh census were released by the National Bureau of Statistics, according to which the total population of China is currently 1.41178 billion. Among them, 494.38 million people are aged 18-35, accounting for 35.35% of the total population. According to a research report by BCG and Ali Research Institute, the consumption of China's younger generation (18-35 years old) will surpass that of the older generation (over 35 years old) in 2021, reaching US\$2.6 trillion. It is obvious that the younger generation will become the main force of China's consumer market. The changes in consumption concepts and behaviors resulting from the generational shift will further accelerate the

penetration of jewelry consumption terminals and bring new growth opportunities to the consumer market.

#### **4. The market demand in non-marital relationships is growing as expression of love is consumers' invisible and rigid need.**

In the contemporary new romantic relationship, Chinese people seek to explore and break traditional norms and embrace real self, boosting public pursuit of eternal love and emotional expression. Under consumption upgrading, consumers' demands are becoming more personalized and individualized, and scenario-based consumption gains popularity. The new generation of young consumers in particular stress on spiritual satisfaction. Gifts are presented not only in festivals and commemorative days such as Valentine's Day, May 20 and Chinese Valentine's Day, but also for the consumers to express their love. According to CSM's "Short Video Customer Value Research Report 2022" and QuestMobile's survey data, the pursuit of a sense of ceremony in the life philosophy of short video customers is 66.9%. When it comes to "Valentine's Day" content on short video platforms, "a sense of ceremony is essential," "customized gifts for loved ones," and "gifts are precious because they are made with heart" have become hot topics for customers to discuss. Therefore, creating a stronger emotional bond through highly interactive and ceremonial expressions has become an inevitable trend in the demand for jewelry. It is expected that jewelry brands that have a strong emotional connection, convey sustainable value propositions, and represent a brand tonality will reap increasing demands in non-marriage and non-romantic scenarios.

According to AIMedia data center's survey on the demand for jewelry/accessories in China's wedding market, 89.5% of consumers will buy wedding jewelry in 2021, of which 77.7% will buy rings and 75.5% will buy necklaces. At the same time, more than 67.5% of wedding jewelry consumers have a budget of over 30,000 yuan, more than 42.5% have a budget of over 50,000 yuan, and nearly 15% of wedding jewelry consumers have a budget of over 100,000 yuan. Therefore, the demand for wedding jewelry, which is mainly made of gold and diamonds, will continue to have a high budget.

#### **5. External environment accelerates the pace of digital transformation in the industry**

With the rapid development of digital technology, the cognition and interconnection of the consumers have unprecedentedly expanded, and the jewelry industry has entered a new normal of comprehensive digital transformation. In particular, the popularity of Internet and widespread mobile payments are new drivers of jewelry demands. People's consumption habits, contents, patterns and concepts are constantly adjusted by the development of digital technology. According to Tmall online data from MKTINDEX, the cumulative sales of the jewelry market from January to December 2022 reached 25.34 billion yuan, up 25.7% year on year. In 2022, the economic outlook was weak, and various industries experienced different degrees of decline. However, the jewelry market maintained a high degree of consumer elasticity.

New consumption patterns turn two-dimensional consumption experience into the three-dimensional level. Meanwhile Internet has bridged the gap between offline and online purchase, accelerating the development of the "Internet plus" jewelry economy. Jewelry retailers are exploring multiple channels to fully utilize private domain traffic and forge a new development trend combining online growth, offline experience and full channels. The development of online and offline integration will enable jewelry retailers to understand and better reach customers and achieve continuous innovation through digital transformation.

## **II The main business of DRCO during the reporting period**

DRCO is required to comply with the disclosure requirements for "jewelry-related business" and

"retail industry" specified in the *Self-disciplinary Supervision Guidelines No.3-Industry Information Disclosure* of companies listed on the Shenzhen Stock Exchange.

### (I) Main business of DRCO

With the corporate mission of enhancing joy and beauty of true love and the vision of the global leader in the true love culture, DRCO is a globalized public company engaging in high-end diamonds and jewelry, true love culture and related services. By tailoring engagement rings for our customers, we focus on business sceneries of proposal, wedding and anniversaries, so as to witness and propagatae the true love culture, and deliver worldwide consumers with high-quality jewelry products and unique love culture-related experience and services to meet their desires for eternal love.

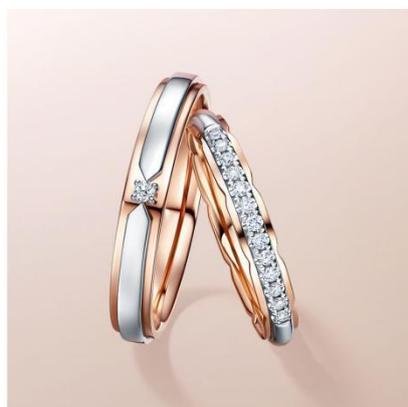
Through a global online and offline DTC (Direct to consumer) retail network, DR engagement diamonds are available in over 200 cities across Paris of France, Hong Kong of China and Chinese mainland. Empowered by its differentiated positioning, professional product design and unique service experience, DR has quickly grown into a leading brand in the world's engagement ring market, and received many authoritative international awards, such as "Asia's Top 500 Brands" by World Brand Lab, "Brand of the Year" by JNA Awards, and "Best International Engagement Ring Brand of the Year" by HKCT. As of the end of the reporting period, it had 688 direct-sales stores worldwide, highly recognized and favored by young consumers.

### (II) Main products of DRCO

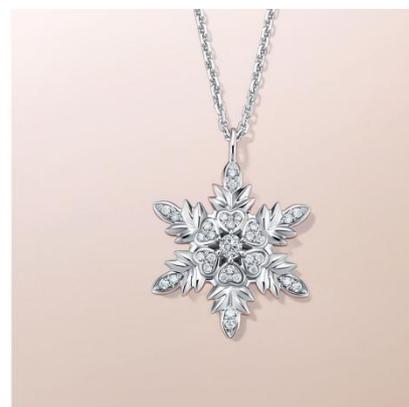
At present, the main products of DRCO include engagement rings, wedding rings and love gifts. Going forward, based on the strategy of supporting customers' lifetime love, DRCO will seize market opportunities, and work continuously to improve the power of product development and service innovation, in an effort to provide consumers with more diversified love solutions and ultimately become a leader in the love culture ecosystem.



LOVE PALACE SERIES  
Love Auditorium  
Magnificent women' s ring



LOVE PALACE SERIES  
Auditorium Flower Path  
Elegant wedding couple rings



OUR DAY SERIES  
Virgin Snow  
Heart of true love

### (III) Business conditions of DRCO

#### 1. Customized self-directed sales model

With a fully integrated omnichannel marketing, DRCO provides customers with a seamless online and offline shopping experience. Channels such as the official website, mini program, Tmall and JD flagship stores offer our consumers online platforms to browse and store at any time, while offline stores act as physical experience channels, taking full advantage of the convenience and efficiency of online platforms and the physical experience of offline channels. For reasons of brand promotion, image building, and unified management and

operations, DRCO is choosing a fully self-managed model for the DR brand. All stores are managed and operated by DRCO itself. The prices of online and offline products are uniform and mainly offered to customers through retail sales. Under the customized model, consumers place orders and make down payments or full payments to confirm the purchase through DRCO's online and offline stores. After DRCO orders production and receives final payment, it arranges for direct delivery to consumers or delivery to the store for consumer pickup. To help consumers better communicate the beautiful love, DRCO also offers them a series of value-added services, such as a love contract, a love affirmation book and a proposal ceremony supported by the store.

### (1) Revenue by business model during the reporting period

During the period under review, economic growth slowed and consumer purchasing power declined, leading to a drop in demand for some consumer goods. As a result, DRCO's short-term performance was under pressure. The unfavorable business environment caused by the economic downturn intensified competition in the industry, which negatively impacted DRCO's sales. During the period under review, DRCO generated total revenue of 3.68 billion yuan, down 20.36% year-on-year. Of which, the Online Self-Operated, Offline Direct-Operated, Offline Joint-Operated and Other Businesses accounted for revenues of 0.40 billion yuan, 2.98 billion yuan, 0.28 billion yuan and 0.03 billion yuan, respectively, accounting for 10.72%, 80.95%, 7.48% and 0.85% of DRCO's annual revenues. The revenue of the self-operated online business decreased by 34.07% year-on-year during the reporting period, mainly due to the optimization of DRCO's product structure and the removal of some diamond ring products with low carat weight at the beginning of the reporting period. The decrease in offline sales is mainly due to the decrease in the number of visitors to shopping malls and the suspension or reduction of store hours due to cooperation with shopping malls. According to statistics, the total number of days on which store hours were suspended or shortened was 9,940 for all stores during the year. The increase in other business revenue was mainly due to the increase in sales of products to be processed, with a year-on-year growth of 11.85%.

#### Revenue by business model during the reporting period

Unit: RMB0'000

Business model	2022			2021			YoY change in revenue	YoY change in gross margin
	Revenue	Operating cost	Gross margin	Revenue	Operating cost	Gross margin		
Online Self-Operated	39,459.33	12,847.89	67.44%	59,852.71	19,951.58	66.67%	-34.07%	0.77%
Offline Direct-Operated	298,037.34	86,718.60	70.90%	367,365.88	105,348.32	71.32%	-18.87%	-0.42%
Offline Joint-Operated	27,521.47	8,713.53	68.34%	32,169.08	9,753.50	69.68%	-14.45%	-1.34%
Offline Distribution	0.00	0.00	-	78.50	62.55	20.32%	-100.00%	-
Other Businesses	3,139.31	2,947.23	6.12%	2,806.81	2,939.18	-4.72%	11.85%	10.84%
Total	368,157.45	111,227.25	69.79%	462,272.98	138,055.13	70.14%	-20.36%	-0.35%

### (2) Stores in the reporting period

## ① Changes in number of stores

During the reporting period, DRCO accelerated the penetration in major cities with the focus on tier-1 and tier-2 cities, and actively established presence in cities not having been covered and further stepped up coverage in key regional markets including East China, North China and Southwest China. During the reporting period, DRCO opened 254 new stores (18 in Q1, 86 in Q2, 85 in Q3 and 65 in Q4), including 51 ones, or 20.07%, in cities without our footprints; 27 stores were closed (4 in Q1, 9 in Q2, 4 in Q3 and 10 in Q4). Therefore, the net increase was 227. As of end of the reporting period, DRCO had 688 stores, up 49.24% from 461 at the beginning of the period.

All offline stores are self-operated. As of the end of the reporting period, 686 stores were located in 221 cities in 30 provinces/autonomous regions/municipalities directly under the central government, and 2 overseas stores were located in Paris and Hong Kong respectively. Domestic stores are mainly located in cities at the third tier and above, including 449, or approximate 65.45% in tier-1 and tier-2 cities, and 237, or approximate 34.55% in tier-3 cities and below.

## Changes in number of stores during the reporting period

Tier of city	Classification	Opening number	Increase		Decrease		Net change	Closing number
			New	Change in business mode	Closed	Change in business mode		
Tier-1 and tier-2	Direct-operated	275	151	2	16	1	136	411
	Joint-operated	29	11	1	1	2	9	38
	Subtotal	304	162	3	17	3	145	449
Tier-3, 4 and below	Direct-operated	143	87	1	10	3	75	218
	Joint-operated	12	5	3	0	1	7	19
	Subtotal	155	92	4	10	4	82	237
Overseas	Direct-operated	2	-	-	-	-	-	2
	Joint-operated	-	-	-	-	-	-	-
	Subtotal	2	-	-	-	-	-	2
Total	Direct-operated	420	238	3	26	4	211	631
	Joint-operated	41	16	4	1	3	16	57
	Total	461	254	7	27	7	227	688

## ② Newly opened stores

During the reporting period, DRCO opened 254 new self-operated stores, an increase of 124 over the previous year. During the reporting period, the newly opened stores realized revenue of RMB326.87 million, accounting for 8.88% of the total revenue; their gross profits reached RMB231.42 million.

## Newly opened stores

Unit: RMB'000

Mode	Region	2022					2021				
		Number of stores	Area (m <sup>2</sup> )	Revenue	As % of total revenue	Gross profit	Number of stores	Area (m <sup>2</sup> )	Revenue	As % of total revenue	Gross profit
Joint-operated	Northeast	-	-	-	-	-	1	108.00	130.95	0.03%	95.58
	North China	6	413.00	1,409.48	0.38%	986.49	1	68.00	160.26	0.03%	114.01
	East China	8	436.28	822.41	0.22%	538.26	9	656.80	1,425.24	0.31%	1,023.17
	South China	1	65.00	378.43	0.10%	265.26	-	-	-	-	-
	Central China	1	31.00	398.99	0.11%	255.46	1	64.00	61.57	0.01%	46.01
	Northwest	-	-	-	-	-	1	83.00	780.11	0.17%	575.46
	Southwest	-	-	-	-	-	1	140.00	44.76	0.01%	33.06
Subtotal of joint-operated stores		16	945.28	3,009.31	0.82%	2,045.47	14	1,119.80	2,602.89	0.56%	1,887.29
Direct-operated	Northeast	17	1,443.78	2,269.53	0.62%	1,590.26	7	632.81	933.20	0.20%	680.96
	North China	27	2,639.87	5,281.82	1.43%	3,783.43	9	620.90	2,653.21	0.57%	1,976.36
	East China	84	7,630.04	9,425.75	2.56%	6,703.03	42	4,029.76	8,950.71	1.94%	6,572.57
	South China	25	2,561.07	3,133.24	0.85%	2,229.32	24	2,418.56	5,203.62	1.13%	3,847.05
	Central China	26	2,629.97	3,324.86	0.90%	2,372.48	12	1,016.67	2,806.66	0.61%	2,082.15
	Northwest	18	1,535.64	3,107.10	0.84%	2,186.87	8	895.08	1,582.36	0.34%	1,196.57
	Southwest	41	4,692.06	3,135.16	0.85%	2,231.48	14	1,268.49	3,003.76	0.65%	2,198.78
Subtotal of direct-operated stores		238	23,132.43	29,677.45	8.06%	21,096.87	116	10,882.27	25,133.52	5.44%	18,554.44
Total		254	24,077.71	32,686.77	8.88%	23,142.34	130	12,002.07	27,736.42	6.00%	20,441.73

Note: The above figures are rounded to two decimal places. Some of the figures are slightly different in the endings due to rounding and are not calculation errors.

## ③ Impact of closed stores during the reporting period

During the reporting period, DRCO optimized the layout of the stores while steadily expanding the market. During the reporting period, DRCO closed 27 stores (including 26 self-operated and 1 joint-operated ones), accounting for 3.92% of the total as at the end of the reporting period. These closed stores earned revenue of RMB70.22 million during the reporting period. Based on the revenue of RMB161.35 million in the same period of the preceding year, the impact of the closed stores on DRCO's revenue during the reporting period was RMB-91.12 million, representing -2.47% of the revenue in the reporting period.

## Analysis of the impact of closed stores on revenue during the reporting period

Mode	Region	Closed	Revenue during the reporting period	Revenue in the same period of the preceding year created by stores closed during the reporting period	Impact of closed stores on DRCO during the reporting period	Impact of closed stores as a % of revenue during the reporting period
Joint-operated	Southwest	1	139.42	443.17	-303.75	-0.08%
Subtotal of joint-operated stores		1	139.42	443.17	-303.75	-0.08%
Direct-operated	Northeast	1	72.75	746.82	-674.07	-0.18%
	North China	2	1,207.30	2,117.11	-909.81	-0.25%
	East China	10	2,267.85	6,570.68	-4,302.83	-1.17%
	South China	2	192.19	946.02	-753.83	-0.20%
	Central China	8	2,098.90	3,816.52	-1,717.61	-0.47%
	Northwest	2	912.49	1,106.31	-193.82	-0.05%
	Southwest	1	131.47	387.90	-256.43	-0.07%
Subtotal of direct-operated stores		26	6,882.95	15,691.36	-8,808.41	-2.39%
Total		27	7,022.37	16,134.53	-9,112.16	-2.47%

Note: Impact of closed stores on DRCO during the reporting period = Revenue of closed stores during the reporting period - revenue of closed stores in the same period of preceding year

#### ④ Performance analysis for stores during the reporting period

Since March 2022, some offline stores have closed or shortened their business hours, and the foot traffic of shopping malls traffic plummeted. During the reporting period, for direct-operated stores, the revenue of a single store was RMB5.74 million, down 43.75% from the same period of last year; the gross profit of a single store was RMB4.07 million, down 43.90% from the same period of last year, and the area efficiency of a single stores was RMB63.3 thousand, down 45.27% from the same period of last year; for joint-operated stores, the revenue of a single store was RMB5.62 million, down 42.38% from the same period of last year; the gross profit of a single store was RMB3.84 million, down 43.49% from the same period of last year, and the area efficiency of a single stores was RMB82 thousand, down 42.63% from the same period of last year.

#### Single-store revenue and gross profit

Unit: RMB'000

Classification	2022					2021					YoY change, %		
	Average number of stores	Single-store area m <sup>2</sup>	Single-store revenue	Single-store gross profit	Single-store area efficiency	Average number of stores	Single-store area m <sup>2</sup>	Single-store revenue	Single-store gross profit	Single-store area efficiency	Single-store Revenue	Single-store gross profit	Single-store area efficiency
Direct-operated	519	91	574.25	407.17	6.33	361	88	1,017.63	725.81	11.56	-43.57%	-43.90%	-45.27%
Joint-operated	49	69	561.66	383.84	8.20	33	68	974.82	679.26	14.29	-42.38%	-43.49%	-42.63%

Note: The average number of stores refers to the average of the number of stores at the end of each month of the reporting period ( $\Sigma$  number of shops at the end of the month / number of months)

⑤ Top 10 stores in terms of revenue

Unit: RMB0'000

No.	Store Name	Opening time	Mode	Business area (m <sup>2</sup> )	Revenue	Operating cost	Operating profit
1	DR Store in Xi'an SAGA International Shopping Mall	July 28, 2018	Direct-operated	168.00	2,527.44	782.34	1,107.05
2	DR Store in Guangzhou Tianhe Zhengjia Plaza	November 11, 2017	Direct-operated	266.00	2,332.90	725.78	731.78
3	DR Store in Fuyang Yingzhou Wanda Plaza	November 9, 2020	Direct-operated	96.60	2,254.85	628.35	1,404.17
4	DR Store in Chengdu IFS	January 17, 2018	Direct-operated	93.00	2,136.94	675.16	927.43
5	DR Guojin Store in Changsha Wuyi Square	October 2, 2017	Direct-operated	74.00	1,929.80	589.02	970.04
6	DR Store in Shenzhen Yifangcheng	October 20, 2017	Direct-operated	89.00	1,854.89	599.97	792.63
7	DR Store in Beijing IKEA Livat	July 5, 2018	Direct-operated	60.00	1,702.40	544.04	886.10
8	DR A Store in Lanzhou Center	June 22, 2021	Joint-operated	83.00	1,672.20	472.96	748.03
9	DR Store in Foshan Wangfujing Ziweigang	December 30, 2020	Direct-operated	110.00	1,608.19	502.95	864.58
10	DR Store in Shenzhen Longhua Yifangcheng	October 10, 2021	Direct-operated	50.00	1,575.73	458.90	828.02

Note: Operating profit = revenue - operating costs - store expenses, excluding expenses shared with the headquarters.

**(3) Online sales during the reporting period**

DRCO mainly carries out online sales business through its own sales platform (i.e. DRCO's official website) and third-party sales platforms. In 2022, online revenue accounted for 10.72% of DRCO's total revenue during the reporting period, 2.23 percentage points lower than the same period of the preceding year. During the reporting period, DRCO's revenue from online sales was RMB394.59 million, down 34.07% from the same period last year. Specifically, the revenue from self-owned sales platform was RMB73.28 million, down 27.30% from the same period last year; the revenue from third-party sales platforms was RMB321.32 million, down 35.44% from the same period last year. The revenue decline of the online business was mainly due to the optimization of DRCO's product structure and the removal of some engagement diamond ring products with low carat weight at the beginning of the reporting period. The revenue of diamond ring products with low carat weight dropped by 92%.

According to DRCO's rules for purchase, all customers purchasing the products via the third-party sales platforms have to register on DRCO's self-owned sales platform, i.e., DRCO's official website. As of the end of the reporting period, the total number of registered customers on DRCO's official website was about 10.66 million, with about 2.27 million new registered customers during the reporting period. In 2022, the per customer transaction on DRCO's official website was about RMB6,300, up 75% from the same period last year.

## Online Sales

Unit: RMB0'000

Channel	2022			2021			YoY change	
	Sales order amount	Revenue	As % of online revenue	Sales order amount	Revenue	As % of online revenue	Sales order amount	Revenue
Self-owned sales platform	7,983.61	7,327.52	18.57%	11,036.78	10,078.43	16.84%	-27.66%	-27.30%
Third-party sales platforms	34,988.44	32,131.81	81.43%	54,669.47	49,774.28	83.16%	-36.00%	-35.44%
Total	42,972.05	39,459.33	100.00%	65,706.25	59,852.71	100.00%	-34.60%	-34.07%

Note 1: The self-owned sales platform is DRCO's official website, and the third-party sales platforms include the flagship stores on Tmall.com and Jd.com;

Note 2: The sales order amount is the tax-inclusive amount placed by the customers during the reporting period, and the orders whose products have been returned are excluded.

## 2. Consigned production model

Thanks to the rich industrial chain resources and the refined division of labor, DRCO adopts the asset-light management strategy, in which all commodities are manufactured on a consignment basis. On the one hand, DRCO makes full use of external production resources to help improve operating efficiency. On the other hand, DRCO focuses on brand building, channel expansion, product development and supply chain integration, which helps to increase operating profits. DRCO dynamically adjusts the orders allocated to suppliers based on a number of assessment factors including capacities, qualification rate and overdue delivery rate, thus ensuring the quality and the delivery of the products. DRCO has always attached great importance to product quality through constantly improving the product quality control system, arranging dedicated positions or supportive professional equipment for quality inspection across such links as raw material purchase, consigned production and product circulation. Moreover, all products for terminal sales are subject to the inspection of national third-party testing institutions, and are equipped with relevant professional certificates.

## 3. Procurement mode

In order to ensure the standardization of raw material procurement and raw material quality, DRCO's supply chain department is fully responsible for the raw material procurement. The raw materials purchased by DRCO are mainly diamonds above 0.03 carat, accounting for more than 96% of all raw materials. DRCO formulates and implements procurement plans based on business needs, inventory, and short-term market price trends. DRCO's finished diamonds are mainly sourced from overseas and domestic markets, and all of them will be checked by the supply chain department before being stored.

### (1) Major procurements during the reporting period

Affected by factors such as the global economic slowdown and the decline in the purchasing power of consumers, DRCO's procurement needs were adjusted as the sales dropped on a year-on-year basis. During the reporting period, DRCO's total purchases of diamonds and consigned processing services fell. The total amount of the purchases in 2022 was RMB1.29 billion, down 13.21% from a year ago; to specific, the amount of diamond purchases was RMB509.03mm, a YoY decrease of 13.87%; the amount of the purchases of consigned processing services was RMB777.97mm, down 12.77% compared with the same period a year ago. DRCO's major procurements of diamonds and consigned processing services are as follows:

Major procurements during the reporting period

Unit: RMB0'000

Item	2022		2021		YoY change
	Purchase amount	As % of total purchases	Purchase amount	As % of total purchases	
Diamond	50,902.86	39.55%	59,101.69	39.86%	-13.87%
Consigned processing	77,796.66	60.45%	89,185.11	60.14%	-12.77%
Total	128,699.52	100.00%	148,286.80	100.00%	-13.21%

Note: The purchase amount in the table is based on the price excluding tax.

## (2) Purchase channels and quantities of diamonds as the main raw material during the reporting period

During the reporting period, DRCO's finished diamonds are mainly sourced from overseas and domestic markets, and all of them were checked by the supply chain department before being stored. For overseas purchases, Hong Kong DR GROUP is responsible for purchases from overseas suppliers, and then Shanghai Darry, a member of Shanghai Diamond Exchange, is in charge of the custom clearance. DRCO also purchases finished diamonds directly from domestic diamond suppliers or their affiliates, which are members of the Shanghai Diamond Exchange. During the reporting period, DRCO purchased 67,162.47 carat of diamonds as the raw materials, down by 13.83% from a year ago because of the decline of DRCO's business results.

Purchase channels and quantities of diamonds as the main raw material during the reporting period

Item	Unit	Purchase	2022		2021		YoY change
		Channel	Purchase quantity	As % of total purchase	Purchase quantity	As % of total purchase	
Diamond	Carat	Domestic market	52,812.15	78.63%	60,722.92	77.91%	-13.03%
		Overseas markets	14,350.32	21.37%	17,218.93	22.09%	-16.66%
Total			67,162.47	100.00%	77,941.85	100.00%	-13.83%

## (3) Purchase quantity for consigned processing during the reporting period.

During the reporting period, the purchase quantity of DRCO's consigned processing business dropped because of the decline of DRCO's sales performance.

Item	Unit	2022	2021	YoY change
		Purchase quantity	Purchase quantity	
Consigned processing	Pieces	616,308.00	773,698.00	-20.34%

Note: The above purchase quantity does not include product accessories (e.g., earring nuts, chain tail tags).

## 4. Inventories during the reporting period

During the reporting period, DRCO's inventories consisted of raw materials, work in process, finished goods, outsourced processing materials, shipping goods, turnover materials, and were mainly raw materials and finished goods. As of the end of 2022, the balance of DRCO's inventories was RMB676.42 million, the provision for inventory write-down was RMB6.53 million, and the net book value of the inventories was RMB669.89mm. The closing balance of the inventories during the reporting period

increased by 51.45% compared with the beginning balance. To be specific, the balance of the raw material inventories was RMB134.67mm, up 31.72% from the beginning; the balance of the finished goods was RMB516.04mm, an increase of 65.12% from the beginning, which was mainly driven by the expansion of the stores and the increasing demands for on-shelf goods and new products; the balance of the turnover materials was RMB5.18mm, up 10.42% from the beginning; the balance of shipping goods fell by 68.23% from the beginning because of the decline of DRCO's sales performance. Inventory breakdown as of the end of the reporting period

Unit: RMB'000

Item	December 31, 2022		December 31, 2021		YoY change
	Amount	%	Amount	%	
Raw materials	13,467.14	19.91%	10,224.33	22.89%	31.72%
Work in process	282.43	0.42%	623.03	1.39%	-54.67%
Finished goods	51,604.41	76.29%	31,252.31	69.97%	65.12%
Outsourced processing materials	1,648.25	2.44%	1,713.67	3.84%	-3.82%
Shipping goods	120.93	0.18%	380.64	0.85%	-68.23%
Turnover materials	518.34	0.77%	469.43	1.05%	10.42%
Total	67,641.50	100.00%	44,663.41	100.00%	51.45%

Note: The above figures are rounded to two decimal places. Some of the figures are slightly different in the endings due to rounding and are not calculation errors.

### III. Analysis of Core Competitiveness

With original aspiration of expression of true love, DRCO has built up the competitiveness on the strategic positioning of integrating brand, channels and products. The "DR" brand represents the concept of "the sole true love in one life" and purchase intention for eternal lover, infusing unique emotional associations and value proposition into engagement rings and hence enjoying special brand advantage in the industry. In the era of new retailing, DRCO seizes the opportunity of consumption and technology upgrading to create a modern, efficient and consumer-oriented DTC (direct-to-consumer) operation model through mobile Internet. We also fully leverage various new media such as social platforms, video media, e-commerce platforms and search engines to convey brand connotations to consumers. In addition, DRCO attaches great importance to product design, craftsmanship and high quality. By cooperating with internationally renowned designers, we constantly improve products to realize our philosophy of gifting the best jewelry to the true lover.

#### 1. Advantage of the emotional connotation of the brand

DRCO's brand philosophy fits perfectly with the pursuit of love and fidelity in the marriage and affection, reflecting a unique emotional connotation. DR engagement rings can be exclusively bounded with the couples by uploading their ID information to blockchain instead of just engraving names. Such diamond rings are kind of testament to the one and only true love and satisfy consumers' emotional need for fidelity and lifelong love rather than simple esthetic preferences for jewelry. In this way, the unique DR engagement rings evoke special emotional connotation among customers and have differentiation compared to similar products.

#### 2. Advantages of brand communication

Thanks to strong brand marketing capacities, including content creation, production, filming, serving and account management, DRCO's professional brand communications team has successfully taken advantage of new media and traffic to rapidly enhance the influence of DR brand and systematically and continuously optimize brand communication. Moreover DR brand boasts a host of active fan base totaling over 30 million followers from well-known social platforms like Weibo, WeChat, TikTok and Kuaishou by

the end of 2022. By targeting in emotional expression, vertical segments and differentiated brand philosophy, our products attract many "DR fans" in the mass consumer market, who highly recognize our brand values and concept of love, and are characteristic in youthfulness, high brand identification and strong self-expression. A great number of fans and consumers spontaneously spread our brand philosophy by posting their love story and highlight moments on Weibo, WeChat Moments and short videos, resulting in a viral effect on DR brand promotion.

### **3. Operational Advantage of Omnichannel DTC**

As to the offline sales, DRCO adheres to proprietary operation to ensure consistently excellent consumer experience. With significant investment and devotion into offline channels over years, 688 self-owned stores have been built up worldwide by the end of 2022, which show high performance in management efficiency, profit margins and inventory turnover rate. On the other hand, DRCO seizes the opportunity of consumption and technology upgrading in the era of new retailing to establish online modern and efficient brand operation model based on customers demands. By integrating social platforms, video media, e-commerce platforms and search engines, we constantly push brand promotion and online business, and communicating brand connotation.

In addition, DRCO True Love ecosystem has been established through DTC model, composing of the core customer base, the mass customers, suppliers and other partners. It's aimed to demonstrate ideal journey of true love and lay solid foundation for offering products and services in a long run to the core customer base.

### **4. Advantage of customized marketing**

Unlike traditional sales of spot goods, the customized marketing is adopted by DRCO, enabling our customers to select favored jewelry and define 4Cs of diamond quality (e.g. cut, color, clarity, and carat), ring setting material, finger size, personalized engraving, etc. this customized marketing can not only meet the couples' psychological need for sole love, but also facilitate us to control inventory level, keep lower costs and sound cash flow, and finally improve business operating efficiency. As jewelry products are more sensitive to fashion trend, the customized marketing allows DRCO to rapidly respond to market changes and keep up with new fashion.

### **5. Advantage in information system**

Attaching great importance to IT systems, DRCO delves into the integrated online and offline platform of jewelry customization. Years of efforts in uniformization construction has result in convenient front-end system empowering stores, an efficient mid-end system for information collection and analysis to improve communication efficiency, and a robust back-end system to support digitalization and operational transparency. The whole IT systems help us to improve financial and operational efficiency, enhance interconnection with customers and gain unique competitive advantage in refined operations, digital promotion and digital organizational transformation.

### **6. Advantage in product design and research and development**

With the spirit of innovation and craftsmanship, DRCO is committed to creating high-quality products and based on unique brand differentiation, positioning and philosophy, and delivering multi-dimensional offerings that merge and expand with emotional, fashion and brand elements. In DR Paris Design Center, a lot of worldwide famous jewelry masters work together at precious true-love jewels with their skillful technique and exceptional inspiration. Additionally, we continuous to evolve product quality and processing by developing and optimizing our patent technologies and designs.



## IV. Analysis of Main Business

### 1. Overview

#### (I) Overview of operating performance in the reporting period

In 2022, with increasing market fluctuations and uncertainties in the domestic and international economic environment, the pessimistic expectations of residents on the economic outlook was spread to the consumer goods market, resulting in a more intense competition in the retail market. Consequently, the jewelry industry experienced accelerated fragmentation, and the market was increasingly dominated by top brands. In the face of the ever-changing business contexts, DRCO adheres to the corporate mission of "empowering a more beautiful love", actively optimizes market layouts and expands channels by focusing on strategic goals and business plans. DRCO comprehensively promotes digital transformation, continues to optimize product mix, and takes active measures to address headwinds including the global economic downturn and consumption degradation.

During the reporting period, DRCO achieved revenue of RMB3.68 billion, down 20.36% from the same period last year; net profit attributable to shareholders of the parent company was RMB0.73 billion, down 43.98% from a year ago. On the one hand, the revenue fell due to the sluggish consumer demands; on the other hand, the net increase of new stores reached 227 given DRCO's long-term development and brand construction. The number of terminal stores grew 49.24% from the beginning of the reporting period, leading to soaring growth of the selling expenses to RMB1,422 million, a YoY increase of 16.76%.

#### (II) Overview of business operation management during the reporting period

##### (1) Enhance brand reputation and spread the true love culture with original aspiration

###### ① Deeply cultivate brand concept and positively impact the society with true love culture

During the reporting period, the brand concept of true love won the recognition of many champion athletes. The striving spirit of athletes is highly consistent with the philosophy of DR brand. For example, Xu Mengtao, Wang Xindi, Xu Jingtao, Wang Hao, Xie Zhenye, Deng Linlin and other champion athletes

have all chosen DR-branded diamond rings as DRCO's culture of "only and one" highly resembles their pursuit for championship. Therefore, champion athletes as public figures can better understand the value of the promise to true love. Their expression of "one and only true love in a lifetime" via the DR diamond rings and their courage to give their loved a romantic commitment also moved countless netizens and went viral on the internet, encouraging more people to believe in and pursue the only true love in a lifetime. These campaigns further cement DR's brand image of "diamond ring of champions, champion of diamond rings", significantly improving the brand awareness and reputation.



Xu Jingtao &amp; Mei Jie



Xu Mengtao &amp; Wang Xindi



Xie Zhenye &amp; Lu Minjia



Wang Hao &amp; Yan Boya

DRCO takes "true love actions" to promote the reconstruction of positive emotional orders in the society. In order to build a new interactive platform for close communication with young people, the "Global True Love Class" initiative was launched, which invited Professor Liang Yongan from the Department of Chinese Language and Literature of Fudan University, to give six lectures on "What Young People Need to Know About Love". This initiative transmitted the values of "one and only true love in a lifetime" to more youths, exchanged with them the "true love" concept of the DR and demonstrated the temperature and the responsibility of the DR brand. The hashtag #What Young People Need to Know About Love# was played for 15 million times on the internet, garnering the attraction of many media outlets including CCTV that spoke highly of the courses. Focusing on spreading right emotional values and providing emotional value, DRCO establishes deep insights into the needs for love. The blockbuster "Two-Way Love" launched on May 20 conveyed DR's brand concept of commitment to love, enabling customers to believe in the power of true love again and deeply touching consumers. The related Weibo hashtag was read for more than 500 million times, improving both the brand influence and reputation among customers.

In line with the current situation of marriage and dating in society, as well as social topics such as the difficulty of young people to fall in love, DRCO and CCTV jointly produced a warm blockbuster "Love is Simple", which explains the concept of "one and only true love in a lifetime" through four old couples. It helped arouse more people's longing for love, sparking the resonance with netizens. In an era of impatience and confusion, DRCO continues to spread positive love values, conveying the brand's mission and original intention of "empowering a more beautiful love", reflecting the warmth of the brand, publicizing the temperature and the beauty of the love and strengthening young people's confidence in

love and marriage. During the time when the Love Is Simple was played, relevant hashtags were read for over 400 million. With its social media matrix, CCTV empowered the brand, and the in-depth reports of other media outlets convey the positive energy of the brand, making the philosophy of the DR brand known by more people.



## ② Cultivate the core of the brand, innovate the content of short videos and expand the matrix accounts of the brand

During the reporting period, DRCO innovated the production of short videos, creatively adopting the first-view, and two-episode mode. With the brand's concept as the core of the promotion, DRCO figured out a new solution to the short videos with the unique DR style, attracting more potential customers, exploring the core of the brand, extending from brand power to product power, and expanding from in-store scenes to everyday life scenes. At present, the DR brand has more than 30 million fans. Specifically, the main video matrix account attracted new fans of 2.6 million in the full year, up 160% from a year ago. The brand was exposed to customers for over 1 billion times, a YoY increase of 47%. In the second half of 2022, DRCO's set up a new team for live streaming on Douyin, leading to rapid performance growth. In the second half of the year, the sales via the Douyin platform went up by 275% compared from those in the first half of the year.

## (2) Create international brand image with better customer experience and stronger brand impression

In order to create a more differentiated brand image and visually convey the brand's values of "one and only true love in a lifetime", DRCO is inspired by the flamingo with only one partner in its life, taking the romantic flamingo orange as the brand color to totally upgrades the brand's LOGO and reflect the purity and uniqueness of true love. In a bid to promote the new brand image and enhance customer perception, DRCO has established sound brand management standards, covering plane vision, spatial image, employee image, publicity content, among others. For the purpose of conveying the unique mission of "empowering a more beautiful love", DRCO introduced the services of customized true love codes. Customers can choose their unique commemorative numbers to be engraved on their diamond rings as their true love codes, strengthening the concept of "one and only true love". The true love code creates an emotional bond between the brand and its customers, fulfilling consumers' needs for a special ritual for their true love. This service has been well received by customers.

## (3) Vigorously expand offline sales channels with sound layouts and upgrade wedding atmosphere

Based on its plans for long-term development and brand building, DRCO continues to deepen the channel layouts. Besides reaching cities and business districts without its footprints, DRCO increases the

density of stores in cities and business districts through quality channels. It further develops popular business districts and core projects in cities, refines the channel network and improves the quality of channels. As at the end of the reporting period, DRCO had 688 terminal stores, up 49.24% from the beginning of the reporting period. In addition, the net increase of stores reached 227 during the reporting period. DRCO extended its footprints to 120 business districts in tier-1, new tier-1 and tier-2 cities it has not covered previously; opened new stores in 60 TOP1 projects, i.e., leading shopping malls, increasing the coverage of TOP1 projects in cities from 58% to 74% and the coverage of national TOP100 projects from 48% to 65%. DRCO continued optimizing the location of the brands in shopping malls. In addition to the jewelry area, DRCO also sought to cover other areas including boutique area, high-end cosmetics area and women's clothing area. Stores in these areas accounted for over 25%.

During the reporting period, DRCO proposed a "Dream Wedding" scenario to provide customers with exclusive emotional expressions through the DR portfolio. As of the end of the reporting period, the number of customers who purchased engagement and wedding product portfolios accounted for more than 30%, significantly increasing the value of customers. Meanwhile, DRCO deeply explored the needs of customers for romantic and proposal scenarios by innovating and upgrading the images of stores, creating romantic atmosphere. Breaking the traditional layout of jewelry stores, DRCO takes into account regional culture, wedding culture and fashionable pop culture, using floral and clear glass elements to provide the ultimate French romance and innovate different types of proposal kiosks featuring modern aesthetic and premium quality. In this way, DRCO can bring out an all-round immersive customer experience. During the reporting period, the image design and services of DR True Love Experience Stores were recognized by authorities, and won the Muse Creative Awards - Silver Award for Immersive Experience and Retail Space Design from the International Awards Association (IAA).



Certificates of award of DR Heyi Avenue Store, Ningbo



Certificates of award of DR Mix World Store, Shenzhen



DR Mixc World Store, Shanghai



DR SEG Square Store, Xi'an

#### **(4) Comprehensively promote digital transformation and strengthen information security for privacy protection**

During the reporting period, DRCO focused on the construction of information security to ensure the brand commitment and protect customer privacy through technological innovation. Joining hands with the Chinese Academy of Sciences for technical cooperation, DRCO integrates the information of the true love agreements with the blockchain technology to prevent the customers' purchase information from being deleted or revised. Customers can visit the corresponding records by the linkage on the true love agreement certificate. Based on this system, DRCO can check the data in the main business system to protect the customer information. The immutable nature of blockchain data is highly compatible with DRCO's brand philosophy, giving customers a brand experience with cutting-edge technology.

DRCO actively gets involved into digital transformation. After years of digital construction, we have established a data warehouse with extensive coverage and rich scenes. We have also developed corresponding business intelligence tools for major business scenes to improve the operation efficiency of offline and online segments, identify business opportunities for product innovation and promotional campaigns, and obtain near-real-time data feedback through multiple channels. This information can be quickly used to guide the R&D and supply of new products, and reduce management and decision-making costs. The gradual improvement of the data warehouse enables the precision of private domain operation. By matching the feedbacks of offline shopping guides with the online customer data, DRCO establishes accurate and effective models for content dissemination, activity planning and information push, further improving the operation efficiency. During the reporting period, DRCO developed a shopping guide tool for front-line employees of stores to improve task allocation and result tracking, optimize customer interaction experience and refine services.

#### **(5) Enhancing R&D and innovation to create differentiated products**

Keeping up with new consumer trends and habits, DRCO continues to optimize the product mix, accurately anchor target customer base, develop differentiated products that meet the needs of different customers, and focus on strengthening the iterative renewal and design extension of its iconic and best-selling products, thereby deepening its multi-dimensional product portfolios. DRCO attaches great importance to and increases input in product design and R&D and technological innovation. It has established a design center in Paris, France, to gather world-renowned masters of jewelry design, create exquisite craftsmanship and wonderful inspirations for True Love's treasures. DRCO's design team actively participated in international design competitions, and its works were on a par with international standards and were recognized by authoritative international design organizations. DRCO's products won the 2022 IDA International Bronze Award and Honor Award, the MUSE Design Gold Award, the ELTE Platinum Award and Gold Award, and the first prize of the Global Auspicious Zodiac Design Competition (Year of the Rabbit).



D series – MUSE Award

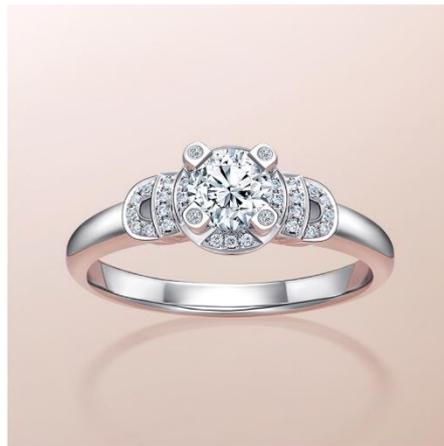


D series – IDA Award

In 2022, DRCO's products obtained 52 appearance patents, 3 domestic utility model patents and 2 German utility model patents. It introduced 260 new models, and the innovative D-shaped button with the brand LOGO as the core main element has received the certificate of the national utility model patent and has been applied to the D collection. As an iconic series of the DR brand's elements, The D series absorb identifiable elements from DR brand and are inspiringly designed into letter combination of I and U, meaning "You and I". In this unique form, U and I closely intertwine to embody the most romantic engagement and intimacy between the lovers. Inheriting DRCO's wedding positioning and key visual, the D series reflect wonderful emotional relationship and our blessings, which cover the whole consumption chain from emotional resonance, visual experience to final sale.



LOVE MARK series: Splendor,  
proposal diamond ring



D series: Joining Hands,  
proposal diamond ring



MY HEART series: Love You  
by world-famous designers,  
proposal diamond ring



D series:Minder Reader

D series:With You,  
proposal diamond rings

D series:Crazy for You,

## (6) Promote organizational transformation and shape multiculturalism

Talents are the first driving force for corporation innovation and development. DRCO focuses on the continuous introduction and training of high-level talents, and the construction of organizational capacity is vital to drive DRCO's sustainable development. DRCO continuously improves the talent evaluation system, innovates the selection and employment standards, and establishes a mechanism to attract, develop and retain a diversified and dedicated workforce. In terms of improving the operation and service experience of stores, DRCO starts with corporate culture to incentive talents to pursue innovation and drive the sustainable corporate development. DRCO further upgrades the talent training program and the survival of the fittest mechanism, gradually establishing a diversified, fair and inclusive corporate culture that guides employees to grow together with DRCO.

## 2. Revenue and cost

### (1) Composition of revenue

#### Overall revenue

Unit: RMB

	2022		2021		YoY change
	Amount	As % of revenue	Amount	As % of revenue	
Total revenue	3,681,574,412.68	100%	4,622,729,780.48	100%	-20.36%
By industry					
Jewelry	3,650,181,354.03	99.15%	4,594,661,728.12	99.39%	-20.56%
Other businesses	31,393,058.65	0.85%	28,068,052.36	0.61%	11.85%
By product					
Engagement diamond rings	2,902,464,272.49	78.84%	3,660,710,737.20	79.19%	-20.71%
Wedding diamond rings	713,611,440.73	19.38%	866,423,450.66	18.74%	-17.64%
Other accessories	34,105,640.81	0.93%	67,527,540.26	1.46%	-49.49%
Other businesses	31,393,058.65	0.85%	28,068,052.36	0.61%	11.85%
By region					
East China	1,330,407,724.72	36.14%	1,658,186,858.08	35.87%	-19.77%
North China	494,723,176.92	13.44%	626,975,836.41	13.56%	-21.09%

South China	569,475,102.89	15.47%	708,009,269.57	15.32%	-19.57%
Southwest China	403,596,567.80	10.96%	506,501,705.18	10.96%	-20.32%
Central China	385,624,889.68	10.47%	510,015,932.56	11.03%	-24.39%
Northwest China	254,084,920.53	6.90%	309,632,557.38	6.70%	-17.94%
Northeast China	236,390,244.31	6.42%	297,742,253.58	6.44%	-20.61%
Hong Kong, Macao and Taiwan	5,045,201.05	0.14%	4,995,984.88	0.11%	0.99%
Overseas	2,226,584.78	0.06%	669,382.84	0.01%	232.63%
By sales model					
Online Self-Operated	394,593,297.77	10.72%	598,527,076.93	12.95%	-34.07%
Offline Direct-Operated	2,980,373,391.95	80.95%	3,673,658,793.84	79.47%	-18.87%
Offline Joint-Operated	275,214,664.31	7.48%	321,690,821.72	6.96%	-14.45%
Offline distribution	0.00	0.00%	785,035.63	0.02%	-100.00%
Other businesses	31,393,058.65	0.85%	28,068,052.36	0.61%	11.85%

**(2) Industries, products, regions, and sales models that account for more than 10% of DRCO's revenue or operating profit**

Applicable  Not Applicable

Unit: RMB

	Revenue	Operating costs	Gross margin	YoY change of revenue	YoY change of operating cost	YoY change of gross margin
By industry						
Jewelry	3,650,181,354.03	1,082,800,171.20	70.34%	-20.56%	-19.86%	-0.25%
By product						
Engagement diamond rings	2,902,464,272.49	818,862,367.00	71.79%	-20.71%	-21.95%	0.45%
Wedding diamond rings	713,611,440.73	250,339,820.40	64.92%	-17.64%	-9.71%	-3.08%
By region						
East China	1,330,407,724.72	409,772,540.83	69.20%	-19.77%	-16.68%	-1.14%
North China	494,723,176.92	152,053,331.24	69.26%	-21.09%	-18.99%	-0.80%
South China	569,475,102.89	164,034,248.28	71.20%	-19.57%	-25.18%	2.16%
Southwest China	403,596,567.80	119,776,460.61	70.32%	-20.32%	-20.60%	0.10%
Central China	385,624,889.68	114,423,536.59	70.33%	-24.39%	-22.84%	-0.59%
By sales model						
Online Self-Operated	394,593,297.77	128,478,886.35	67.44%	-34.07%	-35.60%	0.77%
Offline Direct-Operated	2,980,373,391.95	867,185,969.73	70.90%	-18.87%	-17.68%	-0.42%

In the event that the statistical caliber of DRCO's main business data is adjusted during the reporting period, DRCO's main business data for the most recent year has been adjusted according to the caliber at the end of the reporting period

Applicable  Not Applicable

### (3) Whether DRCO's sales revenue from physical goods is more than that from services

Yes  No

Industry classification	Item	Unit	2022	2021	YoY change
Jewelry	Sales	Pieces	517,656	730,038	-29.09%
	Inventory	Pieces	284,930	186,278	52.96%
	Procurement volume	Pieces	616,308	773,698	-20.34%

Explanation of the reasons for the YoY change of over 30% in relevant data

Applicable  Not Applicable

Note 1: The above statistics do not include product accessories (e.g., earring nuts, chain tail tags), and sales statistics include after-sales and molten gold services.

Note 2: The YoY inventory increase of 52.96% in 2022 is mainly due to the expansion of the stores and the demands for on-shelf goods and new products.

### (4) Performance of material sales contracts and purchase contracts signed by DRCO as of the reporting period

Applicable  Not Applicable

### (5) Composition of operating cost

Industry and product classification

Unit: RMB

Industry classification	Item	2022		2021		YoY change
		Amount	As % of operating cost	Amount	As % of operating cost	
Jewelry	Operating cost	1,082,800,171.20	97.35%	1,351,159,384.29	97.87%	-19.86%
Other businesses	Operating cost	29,472,295.09	2.65%	29,391,773.38	2.13%	0.27%

Unit: RMB

Product classification	Item	2022		2021		YoY change
		Amount	As % of operating cost	Amount	As % of operating cost	
Engagement diamond ring	Operating cost	818,862,367.00	73.62%	1,049,105,109.23	75.99%	-21.95%
Wedding diamond ring	Operating cost	250,339,820.40	22.51%	277,267,709.67	20.08%	-9.71%
Other accessories	Operating cost	13,597,983.80	1.22%	24,786,565.38	1.80%	-45.14%
Other businesses	Operating cost	29,472,295.09	2.65%	29,391,773.38	2.13%	0.27%

Note:

The total operating cost in the reporting period was RMB1.11 billion, a decrease of 19.43% compared with the same period last year, mainly due to the decrease of 20.36% in DRCO's revenue in the reporting period.

#### (6) Whether there was a change in the scope of consolidation during the reporting period

Yes  No

During the reporting period, DRCO established 51 new subsidiaries, which were included in the consolidation from the date of their establishment. Details are as follows:

Company name	Date of establishment	Shareholding ratio	Whether consolidated during this reporting period
Xiamen DR Jewelry	April 25, 2022	100%	Yes
Shenyang DR Jewelry	April 26, 2022	100%	Yes
Tianjin DR Jewelry	April 27, 2022	100%	Yes
Chengdu DR Jewelry	May 6, 2022	100%	Yes
Kunming DR Jewelry	May 9, 2022	100%	Yes
Shanghai DR Jewelry	May 11, 2022	100%	Yes
Suzhou Zhongzuan DR Jewelry	May 13, 2022	100%	Yes
Jinan DR Jewelry	May 13, 2022	100%	Yes
Shenzhen DR Jewelry	May 17, 2022	100%	Yes
Beijing Zhongzuan DR Jewelry	May 17, 2022	100%	Yes
Suzhou DR Jewelry	May 18, 2022	100%	Yes
Shenyang DR Jewelry Accessories	May 18, 2022	100%	Yes
Hangzhou DR Jewelry	May 24, 2022	100%	Yes
Beijing DR Jewelry	May 24, 2022	100%	Yes
Wuhan DR Jewelry	May 25, 2022	100%	Yes
Wuhan Zhongzuan DR Jewelry	May 25, 2022	100%	Yes
Xi'an DR Jewelry	May 26, 2022	100%	Yes
Chengdu DR True Love Jewelry	May 27, 2022	100%	Yes
Ningbo DR Jewelry	May 27, 2022	100%	Yes
Beijing Huazuan DR Jewelry	May 31, 2022	100%	Yes
Chongqing DR Jewelry	June 7, 2022	100%	Yes
Hangzhou DR True Love Jewelry	June 7, 2022	100%	Yes
Henan DR Jewelry	June 14, 2022	100%	Yes
Xi'an DR Jewelry Accessories	June 15, 2022	100%	Yes
Zhengzhou DR Jewelry	June 16, 2022	100%	Yes
Shenzhen DR Jewelry Accessories	June 17, 2022	100%	Yes
Shenzhen DR Jewelry Ornament	June 22, 2022	100%	Yes
Changsha DR Jewelry	June 24, 2022	100%	Yes
Shanghai DR Jewelry Accessories	July 1, 2022	100%	Yes

Shanghai DR Jewelry Sales	July 26, 2022	100%	Yes
Zhoukou DR Jewelry	September 29, 2022	100%	Yes
Yiwu DR Jewelry	September 29, 2022	100%	Yes
Heze DR Jewelry	September 30, 2022	100%	Yes
Dongguan DR Jewelry	October 9, 2022	100%	Yes
Xining DR Jewelry	October 11, 2022	100%	Yes
Linyi DR Jewelry	October 11, 2022	100%	Yes
Yinchuan DR Jewelry	October 13, 2022	100%	Yes
Weifang DR Jewelry	October 13, 2022	100%	Yes
Nanchang DR Jewelry	October 13, 2022	100%	Yes
Jining DR Jewelry	October 15, 2022	100%	Yes
Mianyang DR Jewelry	October 17, 2022	100%	Yes
Fuyang DR Jewelry	October 19, 2022	100%	Yes
Shangqiu DR Jewelry	October 19, 2022	100%	Yes
Urumqi DR Jewelry	October 26, 2022	100%	Yes
Handan DR Jewelry	October 26, 2022	100%	Yes
Baoding DR Jewelry	October 26, 2022	100%	Yes
Guangzhou DR Jewelry	October 27, 2022	100%	Yes
Guiyang DR Jewelry	October 31, 2022	100%	Yes
Langfang DR Jewelry	October 31, 2022	100%	Yes
Foshan DR Jewelry	November 18, 2022	100%	Yes
Jiaxing DR Jewelry	November 30, 2022	100%	Yes

During the reporting period, DRCO established a new Sub-subsidiary company, which was consolidated since its establishment. Details are as follows:

Company name	Date of establishment	Shareholding ratio	Whether consolidated during this reporting period
Haoduo Diamond Zhizao (Shenzhen)	November 16, 2022	100%	Yes

### (7) Significant changes or adjustments in DRCO's business, products or services during the reporting period

Applicable  Not Applicable

### (8) Key sales customers and suppliers

Major sales customers of DRCO

Total sales amount of the top five customers (RMB)	3,109,663.82
Sales to top five customers as % of total annual sales	0.09%
Related-party sales in the sales to top five customers as % of total annual sales	0.00%

Information about Top 5 Customers

No.	Customer name	Sales (RMB)	As % of total annual sales
1	Customer 1	688,798.17	0.02%
2	Customer 2	659,245.23	0.02%
3	Customer 3	629,349.59	0.02%
4	Customer 4	584,306.23	0.02%
5	Customer 5	547,964.60	0.01%
Total	--	3,109,663.82	0.09%

## Other notes about key customers

Applicable  Not Applicable

## Key suppliers of DRCO

Total purchase amount of top five suppliers (RMB)	545,474,400.56
Total purchases from top five suppliers as % of total annual purchase amount	42.38%
Related-party purchases in the purchases from top five suppliers as % of total annual purchases	0.00%

## Information about Top 5 Suppliers

No.	Supplier name	Purchase amount (RMB)	As % of total annual purchase
1	Supplier 1	176,854,641.37	13.74%
2	Supplier 2	130,235,231.36	10.12%
3	Supplier 3	92,336,258.34	7.17%
4	Supplier 4	83,516,273.09	6.49%
5	Supplier 5	62,531,996.40	4.86%
Total	--	545,474,400.56	42.38%

## Other notes about key suppliers

Applicable  Not Applicable

## 3. Expenses

Unit: RMB

	2022	2021	YoY change	Explanation of significant changes
Selling expenses	1,422,037,537.50	1,217,911,552.07	16.76%	This was mainly due to the increase in the number of stores and sales staff during the reporting period, as well as the resulting year-on-year growth in wages and salaries, marketing fees and expenses related to store leasing.
Administrative expenses	164,205,877.87	172,830,287.87	-4.99%	
Financial expenses	21,536,754.47	25,914,966.43	-16.89%	This was mainly due to the year-on-year increase in interest income during the reporting period.
R&D expenditure	17,944,132.37	16,822,042.92	6.67%	

#### 4. R&D expenditure

Applicable  Not Applicable

Name of key R&D project	Project purpose	Project progress	Intended goals	Implications on DRCO's future development
Elove mid-end system V4.0	Optimize and enrich the mid-end functions, and adapt to the changing business developments and improve operational efficiency through constant updates.	Under R&D	Further optimize CRM, warehouse management, sales management, commodity management, operation management, supply chain management and other modules.	Further improve operational efficiency.
DR mini-program sales system V3.3	Improve the appointment, community, exclusive space, gaming and campaign functions to provide customers with better experience and service.	Under R&D	Develop a series of mini-program functions to enable such functionalities as campaign promotion, topic release, interactive discussion and client referral so as to improve customer experience and stickiness.	Improve customer interaction and customer experience to increase customer stickiness.
DR True Love Ambassador Management System V3.0	Add the customer tag management function to the original true love ambassador management system to enable precise customer marketing management.	Under R&D	Enable shop guides to better communicate with customers, understand their needs and provide timely service, while helping the operations department of the head office to more effectively monitor the operation of stores.	Add the customer tag management function to enable precise customer marketing management.
SAPV4.0	Improve the flexible combination of main stone and auxiliary stones of the diamond rings, refine the process management and align with the systems of the suppliers.	Under R&D	Further improve the functions of SAP system, including automatic distribution, quality management, reconciliation and coordination with suppliers, systematization of common reports, so as to improve work efficiency.	Further improve automation of business operations.
Data dashboard system V3.0	Visualize the data in a large database or data warehouse to read data and their structural relationships in a more intuitive way, and display the analysis data of the system in multiple dimensions.	Under R&D	Ensure the accuracy of data display, the timeliness of the data dashboard; provide a wealth of chart tools.	Quick configuration to enable the display of dashboard and display data from multiple perspectives.
EHR (Beisen) System	Meet the current personnel management needs, and enable the human resource management in the system.	Under R&D	Realize comprehensive digital management from employee recruitment, on-boarding, management to resignation, so as to quickly improve talent management capabilities.	Improve the efficiency of human resource management and realize smart decision-making.
SRM Project Development	Deploy SCRM system, build data platform, and membership mid-end system, enable automated marketing.	Under R&D	Complete data reporting and collection, event management, member processing and data analysis.	Enable data analysis and automatically generate marketing strategies
Construction of the Diamond Jewelry R&D Design Center	Improve product development and design capabilities to address market competition; make more efforts to design classic style products to enhance the product uniqueness; introduce scarce IPs to enhance the brand value.	Under R&D	Increase investment in R&D and design, expand its in-house full-time R&D and design team, and improve DRCO's independent R&D and design capabilities.	Satisfy the needs of end consumers and enhance DRCO's brand influence.

#### R&D Staff of DRCO

	2022	2021	Change
Number of R&D staff	47	53	-11.32%

R&D staff as % of labor force	1.05%	1.49%	-0.44%
Education background of R&D staff			
Bachelor's degree	34	35	-5.71%
Master's degree	4	3	33.33%
Junior college	9	15	-40.00%
Age distribution of R&D staff			
<30ys	22	19	15.79%
30-40ys	24	32	-25.00%
>40ys	1	2	-50.00%

#### R&D expenditure and Percentage in Revenue in Last Three Years

	2022	2021	2020
R&D expenditures (RMB)	17,944,132.37	16,822,042.92	16,795,857.15
R&D expenditures as % of revenue	0.49%	0.36%	0.68%
Capitalized R&D expenditures (RMB)	0.00	0.00	0.00
Percentage of capitalized R&D expenditure	0.00%	0.00%	0.00%
Capitalized R&D expenditure as % of net profit in the current period	0.00%	0.00%	0.00%

#### Reasons and effect of material changes in the composition of R&D staff

Applicable  Not Applicable

#### Reasons for the significant YoY change in the proportion of R&D expenditure in revenue

Applicable  Not Applicable

#### Reasons and rationality for significant change in capitalization ratio of R&D expenditures

Applicable  Not Applicable

## 5. Cash flow

Unit: RMB

Item	2022	2021	YoY change
Subtotal of cash inflows from operating activities	4,047,355,144.09	4,956,712,277.33	-18.35%
Subtotal of cash outflows from operating activities	3,229,344,031.85	3,412,499,426.62	-5.37%
Net cash flows from operating activities	818,011,112.24	1,544,212,850.71	-47.03%
Subtotal of cash inflows from investing activities	5,412,132,131.53	2,361,950,371.99	129.14%
Subtotal of cash outflows from investing activities	9,725,178,220.62	3,532,568,089.52	175.30%
Net cash flows from investing activities	-4,313,046,089.09	-1,170,617,717.53	-268.44%
Subtotal of cash inflow from financing activities	536,119,714.66	4,466,209,006.62	-88.00%
Subtotal of cash outflows from financing activities	1,266,121,911.18	277,845,213.25	355.69%
Net cash flows from financing activities	-730,002,196.52	4,188,363,793.37	-117.43%
Net increase in cash and cash equivalents	-4,219,885,422.83	4,560,014,610.26	-192.54%

## Explanation of key factors for significant YoY change of relevant data

Applicable  Not Applicable

(1) The decrease in cash inflows from operating activities was mainly due to the decrease in sales revenue during the reporting period.

(2) The decrease in cash outflows from operating activities was mainly due to the decrease in both the sale revenue and the purchase volume of DRCO as well as the decline of corresponding taxes.

(3) The increase in cash inflows from investing activities was mainly due to the recovery of the principal from wealth management products due and the increase in income from wealth management products during the reporting period.

(4) The increase in cash outflows from investing activities was mainly due to the increase in the principal paid to wealth management products during the reporting period.

(5) The decrease in the amount of cash inflows from financing activities was mainly due to DRCO's borrowings for bill discounting during the reporting period and the proceeds raised from the public offering of shares in the same period of the previous year.

(6) The increase in cash outflows from financing activities was mainly due to the distribution of cash dividends and the repayment of borrowings for bill discounting during the reporting period.

Explanation of reasons for the significant difference between the net cash flow from operating activities during the reporting period and the net profit for the current year

Applicable  Not Applicable

## V. Non-main Business

Applicable  Not Applicable

Unit: RMB

	Amount	As % of total profit	Reasons	Whether sustainable
Investment income	89,003,045.62	10.05%	It is mainly the investment income from redeeming the mature wealth management products from banks.	No
Gains/losses from changes in fair value	39,294,362.36	4.44%	Mainly gains on changes in fair value of financial assets recognized during the reporting period.	No
Asset impairment	-28,420,774.69	-3.21%	Mainly include the provision for inventory impairment loss and impairment of long-term assets.	No
Non-operating income	1,237,090.46	0.14%	Mainly include compensations received by DRCO.	No
Non-operating expenses	768,433.58	0.09%	Mainly include breach penalties and overdue fines.	No

## VI. Analysis of Assets and Liabilities

### 1. Significant changes in the composition of assets

Unit: RMB

	At the end of 2022	At the beginning of 2022	Change	Explanation of significant
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	Amount	As % of total assets	Amount	As % of total assets	in proportion	changes
Cash and cash equivalents	521,904,818.30	5.92%	4,741,510,453.45	57.34%	-51.42%	Mainly due to using the proceeds for wealth management during the reporting period.
Accounts receivable	84,478,911.52	0.96%	174,880,676.50	2.11%	-1.15%	
Inventories	669,886,638.00	7.60%	439,973,154.82	5.32%	2.28%	Mainly due to more samples distributed as more stores were opened during the reporting period.
Fixed assets	14,068,805.09	0.16%	6,325,614.51	0.08%	0.08%	
Right-of-use assets	590,506,167.36	6.70%	429,297,028.76	5.19%	1.51%	
Short-term borrowings	433,993,449.44	4.92%			4.92%	Mainly due to borrowings for bill discounting during the reporting period.
Contract liabilities	126,705,661.82	1.44%	210,146,744.15	2.54%	-1.10%	
Lease liabilities	276,542,164.23	3.14%	215,671,484.31	2.61%	0.53%	

Foreign assets account for a relatively high proportion.

Applicable  Not Applicable

## 2. Assets and liabilities measured at fair value

Applicable  Not Applicable

Unit: RMB

Item	Opening amount	Gains and losses on changes in fair value for the current period	Cumulative fair value change recognized in equity	Impairment accrued during the reporting period	Amount of purchase in current period	Amount of disposal in current period	Other changes	Closing amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	1,824,097,569.32	39,294,362.36			8,921,859,195.09	5,175,359,195.09		5,609,891,931.68
Subtotal of financial assets	1,824,097,569.32	39,294,362.36			8,921,859,195.09	5,175,359,195.09		5,609,891,931.68
Total	1,824,097,569.32	39,294,362.36			8,921,859,195.09	5,175,359,195.09		5,609,891,931.68

Financial liabilities	0.00									0.00
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### Contents of other changes

Whether there were significant changes in the major measurement attributes of DRCO's assets during the reporting period.

Yes No

### 3. Restricted rights to assets as of the end of the reporting period

As at the end of the reporting period, the Group's cash and cash equivalents whose use is restricted totaled RMB279,787.68 (31 December 31, 2021: nil), which was due to the freezing of funds as a result of the delay of bank-enterprise reconciliation, the misjudgment of banks or other reasons.

## VII. Investment Status Analysis

### 1. Overall situation

Applicable  Not Applicable

Investment in the reporting period (RMB)	Investment in the same period of last year (RMB)	Change
9,725,178,220.62	3,532,568,089.52	175.30%

### 2. Significant equity investments acquired during the reporting period

Applicable Not Applicable

### 3. Significant non-equity investments pending during the reporting period

Applicable Not Applicable

### 4. Investment in financial assets

#### (1) Investment in securities

Applicable  Not Applicable

Unit: RMB

Securities type	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement model	Opening book value	Gains and losses on changes in fair value for the current period	Cumulative fair value change recognized in equity	Amount of purchase in current period	Amount of disposal in current period	Gains and losses during the reporting period	Closing book value	Accounting item	Source of funds
Domestic and foreign stocks	000564	ST Daji	2,359,195.09	Fair value measurement	0.00	- 1,175,026.83	- 1,175,026.83	2,359,195.09	1,184,168.26	- 1,175,026.83	0.00	Held-for-trading financial assets	The debtor settles previous payments owed

													to Com pany with its share s
Total		2,359,195.09	--	0.00	1,175,026.83	1,175,026.83	2,359,195.09	1,184,168.26	1,175,026.83	0.00	--	--	

**(2) Investments in derivatives**

Applicable  Not Applicable

There were no derivative investments during the reporting period.

**5. Use of raised funds**

Applicable  Not Applicable

**(1) Overall use of proceeds**

Applicable  Not Applicable

Unit: RMB'000

Year of fundraising	Method of fundraising	Total proceeds	Total amount of proceeds used in the current period	Accumulated amount of proceeds used	Total amount of proceeds whose intended use was changed during the reporting period	Accumulated amount whose intended use was changed	Percentage of accumulated amount whose intended use was changed	Total amount of unused proceeds	Use and destination of unused proceeds	Amount of proceeds idle for more than two years
2021	Public offering	444,380.28	149,580.29	149,580.29	0	0	0.00%	294,799.99	Invest in intended projects and replenish working capital	0
Total	--	444,380.28	149,580.29	149,580.29	0	0	0.00%	294,799.99	--	0

**Explanation of the overall use of the proceeds**

**1. Actual amount and arrival date of proceeds**

In accordance with the CSRC's "Approval on Agreeing the Registration of DR Corporation Limited for Initial Public Offering of Shares (Zheng Jian Xu Ke No. [2021] 3043)" and the SZSE's approval, DRCO conducted an initial public offering of 40,001,000 ordinary shares (A shares) with a nominal value of RMB1.00 and an issue price of RMB116.88 per share, raising proceeds of RMB4676,368,800. The sponsorship and underwriting fees (excluding VAT) for the IPO were RMB217,341,600. On December 10, 2021, the total proceeds of RMB4,460,725,300 after deducting the underwriting fees (excluding VAT) of RMB215,643,500 were remitted by the underwriter China Securities to DRCO's special account for proceeds.

The total proceeds raised by DRCO via the IPO were RMB4676,368,800, and the net proceeds were RMB4,443,802,800 after deducting sponsorship and underwriting fees (excluding VAT) of RMB217,341,600, and other issuance fees (excluding VAT) of

RMB15,224,300 (including: audit and capital verification fees of RMB4,471,300, legal counsel fees of RMB5,422,100, information disclosure fees of RMB4,018,900, issuance fees and other fees of RMB1,312,100). The additional registered capital replenished by the IPO has been verified by Ernst & Young Hua Ming LLP (Special General Partnership) that issued a "Capital Verification Report" (Ernst & Young Hua Ming (2021) Yan Zi No. 61403707\_H01).

## 2. Amount used in the current year and year-end balance

As of December 31, 2022, the accumulated amount of the proceeds used by DRCO was RMB1,495,802,900, of which RMB1,035,802,900 was used to invest in committed items and RMB460,000,000 was used to permanently supplement the working capital.

As of December 31, 2022, the balance of idle funds (including surplus proceeds) for cash management was RMB2,895,000,000.

As of December 31, 2022, the balance of DRCO's special account for the proceeds was RMB96,893,700 (including interest income and investment income after deducting service charges).

## (2) The situation of the project of fund-raising commitment.

Applicable  Not Applicable

Unit: RMB'000

Committed investment projects and investment areas of surplus proceeds	Whether the project has been changed (including partly changed)	Total committed investment of proceeds	Adjusted total investment (1)	Amount invested in the reporting period	Cumulative amount invested as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its intended serviceable state	Benefits realized during the reporting period	Cumulative benefits realized as of the end of the reporting period	Whether the expected benefits are realized	Whether the feasibility of the project has changed significantly
Committed investment projects											
Construction of channel network	No	73,921.4	73,921.4	59,694.68	59,694.68	80.75%	December 31, 2023	14,115.14	33,332.74	Yes	No
Construction of information system	No	11,047.45	11,047.45	4,548.69	4,548.69	41.17%	December 31, 2024			Not applicable	No
Construction of R&D, Creativity and Design Center for Diamond Jewels	No	5,389.93	5,389.93	1,289.48	1,289.48	23.92%	December 31, 2025			Not applicable	No
Replenishing working capital	No	38,000	38,000	38,047.45	38,047.45	100.12%	December 31, 2023			Not applicable	No
Subtotal of committed investment projects	--	128,358.78	128,358.78	103,580.3	103,580.3	--	--	14,115.14	33,332.74	--	--
Investment areas of surplus proceeds											
Undetermined use of	No	222,021	222,021							Not applicable	No

surplus proceeds		.5	.5							ble	
Replenishing working capital (if any)	--	94,000	94,000	46,000	46,000	48.94%	--	--	--	--	--
Subtotal of investments of surplus proceeds	--	316,021.5	316,021.5	46,000	46,000	--	--			--	--
Total	--	444,380.28	444,380.28	149,580.3	149,580.3	--	--	14,115.14	33,332.74	--	--
Describe the circumstances and reasons why the planned progress and expected benefits have not been realized by project (including the reason for "not applicable" concerning "whether the expected benefits are realized")	<p>On April 26, 2023, DRCO convened the fifth meeting of the second session of the Board of Directors and the fifth meeting of the second session of the Board of Supervisors to review the Proposal on Postponing Certain Proceeds-funded Projects. Accordingly DRCO is approved to extend the completion date of the "Information System Project" and the "R&amp;D, Creativity and Design Center for Diamond Jewelries", two proceeds-funded projects, without changing the implementation entity, the implementation method, the use of proceeds and the intended investment amount. Details are as follows:</p> <p>1. It is Shenzhen Love Only AI Cloud Technology Co., Ltd. that is responsible for the "Information System Project", which is designed to take three years. In view of the impacts of such factors as the global macro-economic environment, the market context and the technological update during the implementation, the company needs to optimize digitalized management of the system construction and further explore the potentials of digitalization in order to ensure a leading system. Therefore, its construction period is beyond the schedule. Due to the actual situation of the project, the company has prudently determined to extend its completion date from December 31, 2023 to December 31, 2024.</p> <p>2. It is Shenzhen Darry Commercial Management Services that is responsible for constructing the R&amp;D, Creativity and Design Center for Diamond Jewelries, which is designed to take three years. As the market demands have been changing, the company needs to optimize this non-profit project to better align with the actual requirements and the corporate development strategy, leading to delayed construction process. Due to the actual situation of the project, the company has prudently determined to extend its completion date from December 31, 2023 to December 31, 2025.</p>										
Explanation of significant changes in project feasibility	Not applicable										
Amount, use and progress of use of surplus proceeds	<p>Applicable</p> <p>1. On December 30, 2021, DRCO held the 14th meeting of the first session of the Board of Directors and the sixth meeting of the first session of the Board of Supervisors; on January 18, 2022, DRCO held the first Extraordinary General Meeting in 2022, reviewing and approving the "Proposal on Cash Management for Part of Idle Proceeds and Self-owned Funds. The meeting authorized DRCO to use not more than RMBRMB3,500,000,000 of idle proceeds (including surplus proceeds) and not more than RMB4,000,000,000 of its own funds for cash management for a period of 12 months from the date of review and approval. Such funds can be used on a revolving basis within the aforesaid amount and term. As of December 31, 2022, the balance of surplus proceeds for cash management was RMB2,700,000,000.</p> <p>2. On April 20, 2022, DRCO held the 15th meeting of the first session of the Board of Directors and the 7th meeting of the first session of the Board of Supervisors, which considered and approved the "Proposal on Using Part of the Surplus Proceeds to Permanently Replenish Working Capital", and agreed that DRCO may use RMB940,000,000 of surplus proceeds to permanently replenish the working capital, representing 29.74% of the total surplus proceeds. This proposal was deliberated and approved at the shareholders' meeting on May 20, 2022. As of December 31, 2022, DRCO had transferred RMB460,000,000 from its special account for the proceeds to permanently supplement the working capital.</p>										
Changes in the implementation location of projects funded by the proceeds	Not applicable										
Adjustment of the implementation method of projects	Not applicable										

funded by the proceeds	
Early investment and replacement of projects funded by the proceeds	<p>Applicable</p> <p>On April 20, 2022, DRCO held the 15th meeting of the first session of the Board of Directors and the 7th meeting of the first session of the Board of Supervisors, which considered and approved the "Proposal on the Replacement of Self-raised Funds Invested in Advance and Paid for Issuance Expenses with Proceeds", and agreed that DRCO may use the proceeds to replace the self-raised funds of RMB370,182,800 invested in advance and funds of RMB5,455,000 paid for issuance expenses, which totaled RMB375,637,800. Ernst &amp; Young Hua Ming (Special General Partnership) issued the "Capital Verification Report on DR Corporation Limited's Investments in Intended Projects with Self-owned Funds (Ernst &amp; Young Hua Ming (2022) Zhuan Zi No. 61403707_H01)". Before May 10, 2022, DRCO successively transferred a total of RMB366,804,400 from its special account for proceeds for the replacement purpose, including RMB361,349,400 for the investments in advance and RMB5,455,000 for issuance expenses. The remaining RMB8,833,400 was retained in the special account.</p>
Use idle proceeds to temporarily replenish working capital	Not applicable
The amount and reasons for the balance of proceeds after project implementation	Not applicable
Use and destination of unused proceeds	<p>DRCO's unused proceeds are used to purchase approved cash management products and deposited in a special account. As of December 31, 2022, the balance of idle proceeds (including surplus proceeds) for cash management was RMB2,895,000,000, consisting of RMB2,700,000,000 as the balance of the wealth management products bought by surplus proceeds and RMB195,000,000 as the balance of the wealth management products bought by the capital of the committed investment projects. On December 29, 2022, DRCO held the fourth meeting of the second session of the Board of Directors and the fourth meeting of the second session of the Board of Supervisors; on January 17, 2023, DRCO held the first Extraordinary General Meeting in 2023, reviewing and approving the "Proposal on Cash Management for Part of Idle Proceeds and Self-owned Funds. The meeting authorized DRCO to use not more than RMBRMB3,000,000,000 of idle proceeds (including surplus proceeds) and not more than RMB6,000,000,000 of its own funds for cash management for a period of 12 months from the date of review and approval. Such funds can be used on a revolving basis within the aforesaid amount and term.</p>
Problems or other circumstances in the use and disclosure of proceeds	Not applicable

### (3) Changes in projects funded by proceeds

Applicable  Not Applicable

There is no change in the projects funded by proceeds during DRCO's reporting period.

## VIII. Disposal of material assets and equity interests

### 1. Disposal of material assets

Applicable  Not Applicable

DRCO did not dispose of any material assets during the reporting period.

### 2. Disposal of material equity interests

Applicable  Not Applicable

## IX. Analysis of major subsidiaries and associates

Applicable  Not Applicable

Information about major subsidiaries and associates that may influence DRCO's net profit by 10% or

more

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Shenzhen Love Only AI Cloud Technology Co., Ltd.	Subsidiary	Information technology services, overseas sales business	25,000,000.00	466,343,456.87	392,238,972.48	487,783,783.08	282,865,653.50	241,981,878.92
Shenzhen Darry Commercial Management Service Co., Ltd.	Subsidiary	Supply chain management, R&D and design, customized product services and related supporting services	10,000,000.00	298,898,059.13	82,920,736.58	323,798,344.09	258,078,451.18	219,594,770.93
Shanghai Darry Diamond Co., Ltd.	Subsidiary	Member of Shanghai Diamond Exchange, purchase of and custom clearance for rough diamonds in overseas markets	5,000,000.00	53,019,620.05	32,805,003.39	172,182,163.84	9,832,659.50	7,374,494.62
He'er Culture (Shenzhen) Co., Ltd.	Subsidiary	Brand marketing and promotion services	10,000,000.00	91,414,506.88	48,129,839.12	163,150,592.94	127,860,358.04	108,765,840.41

The acquisition and disposal of subsidiaries during the reporting period

Applicable  Not Applicable

Company name	Method of acquiring and disposing of subsidiaries during the reporting period	Impact on overall operation and performance
Xiamen DR Jewelry	Fund the establishment	No significant impact
Shenyang DR Jewelry	Fund the establishment	No significant impact
Tianjin DR Jewelry	Fund the establishment	No significant impact
Chengdu DR Jewelry	Fund the establishment	No significant impact
Kunming DR Jewelry	Fund the establishment	No significant impact
Shanghai DR Jewelry	Fund the establishment	No significant impact
Jinan DR Jewelry	Fund the establishment	No significant impact
Suzhou Zhongzuan DR Jewelry	Fund the establishment	No significant impact
Beijing Zhongzuan DR Jewelry	Fund the establishment	No significant impact
Shenzhen DR Jewelry	Fund the establishment	No significant impact

Suzhou DR Jewelry	Fund the establishment	No significant impact
Shenyang DR Jewelry Accessories	Fund the establishment	No significant impact
Hangzhou DR Jewelry	Fund the establishment	No significant impact
Beijing DR Jewelry	Fund the establishment	No significant impact
Wuhan Zhongzuan DR Jewelry	Fund the establishment	No significant impact
Wuhan DR Jewelry	Fund the establishment	No significant impact
Xi'an DR Jewelry	Fund the establishment	No significant impact
Chengdu DR True Love Jewelry	Fund the establishment	No significant impact
Ningbo DR Jewelry	Fund the establishment	No significant impact
Beijing Huazuan DR Jewelry	Fund the establishment	No significant impact
Chongqing DR Jewelry	Fund the establishment	No significant impact
Hangzhou DR True Love Jewelry	Fund the establishment	No significant impact
Henan DR Jewelry	Fund the establishment	No significant impact
Xi'an DR Jewelry Accessories	Fund the establishment	No significant impact
Zhengzhou DR Jewelry	Fund the establishment	No significant impact
Shenzhen DR Jewelry Accessories	Fund the establishment	No significant impact
Shenzhen DR Jewelry Ornament	Fund the establishment	No significant impact
Changsha DR Jewelry	Fund the establishment	No significant impact
Shanghai DR Jewelry Accessories	Fund the establishment	No significant impact
Shanghai DR Jewelry Sales	Fund the establishment	No significant impact
Yiwu DR Jewelry	Fund the establishment	No significant impact
Zhoukou DR Jewelry	Fund the establishment	No significant impact
Heze DR Jewelry	Fund the establishment	No significant impact
Dongguan DR Jewelry	Fund the establishment	No significant impact
Xining DR Jewelry	Fund the establishment	No significant impact
Linyi DR Jewelry	Fund the establishment	No significant impact
Nanchang DR Jewelry	Fund the establishment	No significant impact
Weifang DR Jewelry	Fund the establishment	No significant impact
Yinchuan DR Jewelry	Fund the establishment	No significant impact
Jining DR Jewelry	Fund the establishment	No significant impact
Mianyang DR Jewelry	Fund the establishment	No significant impact
Shangqiu DR Jewelry	Fund the establishment	No significant impact
Fuyang DR Jewelry	Fund the establishment	No significant impact
Urumqi DR Jewelry	Fund the establishment	No significant impact
Handan DR Jewelry	Fund the establishment	No significant impact
Baoding DR Jewelry Sales	Fund the establishment	No significant impact
Guangzhou DR Jewelry	Fund the establishment	No significant impact
Guiyang DR Jewelry	Fund the establishment	No significant impact
Langfang DR Jewelry	Fund the establishment	No significant impact
Haoduo Diamond Zhizao (Shenzhen)	Fund the establishment	No significant impact

Foshan DR Jewelry	Fund the establishment	No significant impact
Jiaxing DR Jewelry	Fund the establishment	No significant impact

#### Information about major subsidiaries and associates

1. The subsidiary Love Only AI is mainly engaged in information technology services and overseas sales business for DRCO. During the reporting period, it achieved a net profit of RMB241,981,878.92, down 30.89% from the same period last year.

2. The subsidiary Darry Qianhai is mainly engaged in supply chain management, R&D and design, customized product services and related supporting services. During the reporting period, it achieved a net profit of RMB219,594,770.93, down 32.00% from the same period last year.

3. The subsidiary Shanghai Darry is mainly engaged in the purchase and custom clearance of rough diamonds for DRCO. During the reporting period, it achieved a net profit of RMB7,374,494.62, down 38.36% from the same period last year.

4. The subsidiary He'er Culture is mainly engaged in brand marketing and promotion services. Starting business from 2022, it achieved a net profit of RMB108,765,840.41 during the reporting period, up 73,237.68% over the same period last year.

#### X. Structured entities under the control of DRCO

Applicable  Not Applicable

#### XI. Prospect for DRCO's future development

##### (I) Development strategy

With a mission of enhancing joy and beauty of true love, DRCO upholds the philosophy of "one and only true love in a lifetime" and focuses on the development strategy of "expression of love, multi-brand and globalization". Based on well-established online and offline channel networks, DRCO leverages its strong capabilities of integrating industrial chain resources, attracts domestic and international high-quality suppliers, R&D and design teams, testing institutions and other partners to set up a leading jewelry customization model and sharpen its competitive advantages. DRCO strives to spread the true love culture as the development cornerstone throughout the country and even the world, providing high-quality wedding rings and jewelry products as well as unique true love cultural experience and services for global consumers to meet their lasting needs for true love lifestyle.

##### (II) Development goals

Focusing on the overall development strategy, DRCO will seize the important opportunities arising from the rapid development of Chinese and even the global jewelry industries. It will further increase its market shares through improving the image and influence of the brand, enhancing R&D and design capabilities and strengthening its influence in high-end and international markets. Meanwhile, DRCO will deepen its leadership advantages in the diamond ring segment through expanding channel networks and building information systems and e-commerce platforms, and will further expand its business scale and finally build DR into the world's No.1 brand of engagement diamond rings through further increasing business scale.

##### (III) Business development plan for 2023

Based on its development strategy, DRCO has formulated detailed promotion plans for 2023 in areas such as brand communication, product research and development, retail operations and organizational construction:

## 1. Brand communication

In 2023, DRCO will continue focusing on the brand guidelines and the concept of true love to promote and upgrade brand image. We will propagate the stories of our brand and products, value proposition and lifestyles among core target customers with high-quality contents to maintain our relationships with customers. Our positive brand image will attract participation of social forces, communicating our brand concept with customers and demonstrating our social responsibilities. DRCO keeps eyes on amazing moments of the brand and customers, enrich brand language, and convey a warm and wonderful atmosphere of true love to the society through creating romantic scenes such as proposals and weddings; gain customers' supports, spread the real love stories of golden models and continuously convey a positive view of love; cooperate with professional institutions, media, organizations and cultural scholars to hold heartwarming true love campaigns in the world to build up brand confidence and assets.

In 2023, DRCO will continue to improve brand communication contents and the co-creation culture:

(1) Upgrade content dissemination and enhance the brand power:

- ① From fragmentation to continuity, e.g., from one episode to several episodes posted on the account, from a single account to an account IP matrix, thus establishing the "DR True Love Universe" of short videos;
- ② From print media to a media matrix, i.e., expanding the media coverage from only new media to "print media + stereo media";
- ③ From single dimension to multiple dimensions, that is, from advertising only the brand concept to displaying the brand from various perspectives;
- ④ Both "short, adaptable and fast" contents targeting new media and high-quality contents that can be memorized for longer time;

(2) Foster the fan culture through engagement with fans:

- ① Co-create contents and co-design products or stores with fans;
- ② Invite fans to share their important moments and participate in brand events;
- ③ Cultivate fans' ownership and build an interaction platform for them;

(3) Differentiate the operations and optimize types of contents:

- ① Establish a live streaming matrix for mutual complement between creative live streaming and normal live streaming;
- ② Diversify the ads channels by extending to commercial advertising, comprehensive search, webpages of shopping malls, etc.;
- ③ Refine and optimize the contents for better and precise promotion .

## 2. Product research and development

As the consumer groups in the jewelry industry are dominated by the youth, the consumers tend to drive upgrading and revolution of product design and sales models. DRCO always responds to market changes with the products featuring strong affection, unique emotional experience and a comprehensive service system. DRCO continues to innovate and develop products with brand identity to express love, spread

the brand concept of true love with quality products, empower the brand, and make the products a bridge linking the brand and customers, thereby further enhancing the brand image.

In 2023, DRCO will focus on differentiation of the product mix and complementarity of product structures, and further deepen the strong emotional attributes of products and brand differentiation by strengthening design and R&D capabilities and technical innovation capabilities. In terms of product mix, DRCO will develop series of portfolios from multiple perspectives based on insights into different needs of target clients, and constantly expand product categories and create the product series structure matching the brand positioning in accordance with different purchase scenarios. Product R&D will concentrate on the core concept of brand and product structures. DR Paris Design Center extensively leverages world-famous design resources to enhance product design, gradually forming unique DR brand characteristics and competitive differentiation. For product marketing, DRCO will strive to create an improved promotion ecosystem for single product and product series by taking into account the brand and the market features. We will also enhance the emotional implications and the core advantages of products, and promote the design concept to imperceptibly boost our brand.

### 3. Retail operations

Offline stores are the window of front-end customer experience. In 2022, DRCO set up 254 new stores, reaching the 2022 expanding goal of setting up over 200 stores in that year. In 2023, DRCO will continue to optimize store operations and management, improve the customers' onsite experience, and provide them with better solutions for expressing love:

(1) The business direction: while continuing to cultivate the diamond ring category, we will continue to improve our products and customer experience according to the customers' needs in various affection scenarios, such as engagement, wedding and the memorial day, so as to allow them to express true love;

(2) Channel layouts: relying on the existing channel network, DRCO will continue to refine the channel structure, improve the level and positioning of the channels, optimize the visual effect of the stores, strengthen the customer's perception of DRCO's brand power, and build the offline stores as brand assets, thus enhancing the development momentums of the brand;

(3) Operations of the stores: DRCO will put customers first to improve the in-store experience of customers, refine the service standard of front-line sales staff, and create a more heartwarming DR-style experience and services;

(4) Terminal organization management: DRCO will strengthen the coordinated management over regional presence. The internal competition mechanism helps DRCO rapidly of the region, quickly identify the operational weakness of the regional companies and stores. DRCO has in-house coaching groups for timely professional diagnosis and improvement, helping the management of the regional companies and stores to improve their capabilities.

### 4. Organizational construction

DRCO is committed to creating a corporate culture that is "people-oriented" and "customer-centric":

(1) Organizational upgrading: DRCO establishes the omnichannel consumer operations and delivery teams to enable the growth of the customer base;

(2) Organizational empowerment: on the one hand, DRCO helps existing retail organizations and the front ends to establish the "customer-centric" operation concept; on the other hand, DRCO designs culture activities better aligning with the DR style on the basis of the business scenarios;

(3) Talent management: DRCO will continue to establish and improve the internal incentive mechanism and adhere to the strategy of determining jobs and salaries based on ability, so that outstanding talents can receive competitive compensation in the market.

In 2023, DRCO will continue to improve various mechanisms of human resources, focusing on the reserve of outstanding talents, performance-based incentive, and the career development path of managers. Based on the strategic development and employee development needs, DRCO will promote the establishment of a mechanism-driven operation model, which will formulate a training plan aiming at developing the organizational capabilities to support business development, so as to continuously activate the organizational vitality.

#### **(IV) Risks in corporate operation and countermeasures**

##### **1. Economic and market volatility risks**

DRCO's main products are diamond Jewelry, which are mid-to-high-end consumer goods and are subject to consumption levels and purchasing intentions of the population. Such products are therefore exposed to business risks arising from fluctuations in the economic and market environment. In addition, geopolitical crises in recent years have led to increased international trade conflicts, which can lead to uncertainty in the purchase of rough diamonds in overseas markets. To address these risks, DRCO will take effective measures such as enhancing brand communication, adjusting business strategies in a timely manner, and improving operational efficiency to continue to maintain core competitive advantages and expand market share. At the same time, DRCO will keep paying attention to the overseas rough diamond markets and timely make structural procurement adjustments, so as to actively respond to the impacts of fluctuations in the upstream supply chain.

##### **2. Risk of consigned production**

As DRCO adopts the consigned production model, any delay in delivery or substandard quality of the outsourced products will adversely affect DRCO's inventory management, brand reputation and even operating results. Since its establishment, DRCO has always placed great importance on the quality of its products. In the course of its daily operations, DRCO will continue to exercise strict quality control over the procurement of raw materials, consignment processing and acceptance into the warehouse, and ensure that the full quality control system is effectively implemented in all aspects.

##### **3. Risk of declining brand influence**

As domestic consumers' demands for personalized Jewelry products keep growing, the market competition is becoming increasingly fierce, and new brands and new business concepts continue to emerge. As a result, DRCO faces the risk of the decline in brand influence, which may have a negative impact on market share expansion, earnings growth and the ability to continue as a going concern. In response, DRCO has taken the following measures:

- (1) Increase investment in brand marketing and building to enhance and expand brand value and influence;
- (2) Continue to expand and improve channel coverage;
- (3) Keep improving operations, product quality and customer services of stores;
- (4) Protect intellectual property rights such as trademarks involved in the course of business;
- (5) strengthening the digitalization of business operations, etc.

##### **4. Risk of new stores with low performance**

Due to domestic economic stagnation and consumption downgrade in recent years, DRCO's fast expansion of new stores may suffer from poor performance. To this end, DRCO will take the following measures:

- (1) Slow down expansion of new store and focus on improving operation and covering high-quality business circles;

- (2) Enhance the sustainable development of products, break the barriers to the increments and create more scenarios for repeat purchase;
- (3) Reduce cost and increase efficiency, and pursue overall optimization by closing or relocating inefficient and loss-making stores.

## **5. Operational and organizational management risks**

As DRCO's business scale and the number of proprietary stores continue to increase, DRCO's management mechanism, talent pool, market development and compliance operations will be subject to higher requirements. If DRCO fails to address the challenges in management capability, talent pool and market exploration during the development process, and the organizational model and management system are not adjusted and improved in a timely manner in line with the expansion of business scale, DRCO may face risks in sales scale and business development in the future. Hence, DRCO will continue to actively recruit excellent talents and strengthen the training of internal management and employees; optimize and integrate its business structure in strict accordance with the standard governance requirements of listed companies; strengthen the construction of the internal control system, optimize internal processes and management efficiency to improve DRCO's operational management and risk mitigation capabilities.

**XII. Registration form for surveys, communication, interviews and other activities during the reporting period**

☑Applicable ☐ Not Applicable

Date	Place	Method	Type of interviewer	Interviewer	Main discussion contents and material provided	Index of basic survey information
March 2, 2022	Online meeting	Telephone conversation	Institution	Personnel from 88 institutions including Essence Fund Management, Bosera Asset Management, Wells Fargo Fund	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on March 3, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
April 25, 2022	Online Meetings	Telephone conversation	Institution	Personnel from 139 institutions including E Fund, Hwabao WP Fund Management, Bank of Communications Schroder Fund Management	2021 Annual Report and 2022Q1 Report presentations	For details, please refer to the record of investor relations activities disclosed by DRCO on April 27, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
May 6, 2022	Online meeting	Other	Other	Investors who participated in the online presentation of DRCO's FY2021 and 2022Q1 results via <a href="http://ir.p5w.net">http://ir.p5w.net</a> , an interaction platform for investor relations	Presentations on 2021 Annual Report and 2022Q1 Report, industry prospect, market landscape, and outlook	For details, please refer to the record of investor relations activities disclosed by DRCO on May 6, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
August 29, 2022	Online meeting	Telephone conversation	Institution	Personnel from 112 institutions including Southern Asset Management, Springs Capital, Sequoia Capital	2022 Interim Report presentation	For details, please refer to the record of investor relations activities disclosed by DRCO on August 31, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
September 6, 2022	Online meeting	Telephone conversation	Institution	CITIC Securities, Loyal Valley Capital, China Securities, Bank of Communications Schroder	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on September 13, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
September 7, 2022	Online meeting	Telephone conversation	Institution	Lombarda China Fund Management, Huachuang Securities		
September 9, 2022	Company's meeting room	Field survey	Institution	West Securities		
September 20, 2022	Online meeting	Telephone conversation	Institution	Oak Ridge Private Equity Fund Management, Changjiang Pension, West Securities	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on September 29, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
September 22, 2022	Online meeting	Telephone conversation	Institution	Centennial Insurance Asset Management, GF Securities		
September 27, 2022	Online meeting	Telephone conversation	Institution	China AMC		
September 28, 2022	Company's meeting room	Field survey	Institution	Personnel from 8 institutions including CITIC Securities, Lion Fund		

				Management, E Fund Management		
October 28, 2022	Online meeting	Telephone conversation	Institution	Personnel from 92 institutions including Centennial Insurance, Changjiang Pension, and Pacific Insurance	2022Q3 Report presentation	For details, please refer to the record of investor relations activities disclosed by DRCO on November 1, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
November 2, 2022	Company's meeting room	Field survey	Institution	Guolian Securities	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on November 21, 2022 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
November 3, 2022	Online meeting	Telephone conversation	Institution	Personnel from 45 institutions including Zhonggeng Fund Management and Changjiang Securities		
November 4, 2022	Company's meeting room	Field survey	Institution	China Post Securities, Jinxin Fund Management, Lingzhan Investment, Wangji Investment		
November 9, 2022	Online meeting	Telephone conversation	Institution	First State Cinda Fund Management, Kaiyuan Securities		
November 10, 2022	Online meeting	Telephone conversation	Institution	Ningquan Assets		
November 15, 2022	Online meeting	Telephone conversation	Institution	Personnel from 22 institutions including Hwabao WP Fund Management and Guolian Securities		
November 16, 2022	Online meeting	Telephone conversation	Institution	Personnel from 68 institutions including Lombarda China Fund, China Universal Asset Management, and CIB Fund		
November 16, 2022	Company's meeting room	Field survey	Institution	GF Securities, Purekind Fund Management, Huaixin Investment, Lianhua Huashang		
November 17, 2022	Online meeting	Telephone conversation	Institution	China Industrial Securities, Quanguo Fund Management		
December 7, 2022	Online meeting	Telephone conversation	Institution	Guolian Securities, Harvest Fund	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on December 20, 2022 on
December 8, 2022	Online meeting	Telephone conversation	Institution	GF Securities, China Life Pension Company Limited, Greenwoods Asset		

				Management		www.cninfo.com.cn
December 9, 2022	Online meeting	Telephone conversation	Institution	Tianfeng Securities, Perseverance Asset Management		
December 12, 2022	Online meeting	Telephone conversation	Institution	Haitong Securities, CIB Fund Management		
December 12, 2022	Company's meeting room	Field survey	Institution	Zhongtai Securities, Huatai Asset Management, China Post Securities, Qianhai Kaiyuan		
December 13, 2022	Online meeting	Telephone conversation	Institution	Guolian Securities, China Merchants Fund Management, Guotai Asset Management, JPMorgan Asset Management		
December 16, 2022	Online meeting	Telephone conversation	Institution	Haitong Securities, Chang'an Asset Management, Yitong Investment, Guangda Jinghua, Yuanhe Asset Management		
December 29, 2022	Online meeting	Telephone conversation	Institution	WT capital	Industry prospect, market landscape, current situation and prospect of DRCO's business operation	For details, please refer to the record of investor relations activities disclosed by DRCO on January 10, 2023 on www.cninfo.com.cn
December 30, 2022	Online meeting	Telephone conversation	Institution	AIA Investment		

## Part IV Corporate Governance

### I. Basic Information of Corporate Governance

In accordance with relevant laws, regulations and normative documents including the company Law of PRC, the Securities Law of PRC, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of the Shenzhen Stock Exchange, the No.2 Guidelines for Self-disciplined Regulation of Listed Companies - Standardized Operation of Listed Companies on ChiNext Market, as well as the requirements of the CSRC, DRCO constantly improves our corporate governance structure through establishing and refining internal management and control systems, promoting standardized operation and enhancing corporate governance. During the Reporting Period, the general meeting, the board of directors and its special committees, the board of supervisors, the senior management and the independent directors of DRCO well defined power and responsibilities; the general meeting, the board of directors and its special committees, and the board of supervisors implemented standardized operation, and the independent directors and the secretary of the board of directors were diligent in their duties. The actual situation of DRCO's governance complied with the requirements of rules, regulations and normative documents released by the regulators including CSRC and SZSE.

#### (I) Corporate governance system

During the reporting period, DRCO completed the "Articles of Association", "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Board of Supervisors", "Rules of Procedure of the General Meeting of Shareholders", "Information Disclosure System", and "Investor Relations Management System" in accordance with the requirements of relevant laws and regulations and the actual situation of DRCO. DRCO also formulated the Registration and Management Systems for Persons Possessing Insider Information and the Management System for Subsidiaries, further improving the corporate management system.

#### (II) Shareholders and general meetings

During the reporting period, DRCO held one annual general meeting and two extraordinary general meetings, both of which were convened by DRCO's board of directors. The general meetings of shareholders were held in accordance with relevant laws and regulations to perform duties and ensure that all shareholders enjoy equal rights, facilitate shareholders' participation in the general meeting as far as possible, and enable them to fully exercise their rights as shareholders. The convening method, procedure, voting method and resolution content of DRCO's general meeting of shareholders are in line with the requirements of relevant laws and regulations, normative documents, articles of association, rules of shareholders' meeting of listed companies and rules of procedure of shareholders' meeting, and shall be witnessed by lawyers on the spot and issue legal opinions. The convening and resolution of the general meeting of shareholders are legal and effective. There is no violation of relevant laws and regulations to exercise functions and powers.

#### (III) Directors and the Board of Directors

DRCO's board of directors has 9 directors, including 3 independent directors. The number and composition of the board of directors satisfy the requirements of relevant laws, regulations and the Articles of Association. During the reporting period, DRCO held a total of six board meetings, all of which were convened and held in accordance with the procedures stipulated in the Articles of Association, the Rules of Procedure of the Board of Directors and other relevant laws and regulations, voted and formed resolutions in strict accordance with the relevant provisions, submitted matters requiring consideration at general meetings for consideration and decision at general meetings, effectively performed the duties authorized by the general meetings, strictly implemented the resolutions passed by general meetings, diligently and conscientiously carried out various tasks and actively safeguarded the interests of DRCO

and its shareholders. The independent directors independently, objectively and prudently expressed their independent views on relevant matters occurring during the reporting period, and played an active role in improving the corporate governance mechanism and safeguarding the legitimate rights and interests of DRCO and all shareholders. The Board meetings were convened and resolutions were passed in a lawful and valid manner, without any breach of relevant laws and regulations.

#### **(IV) Supervisors and the Board of Supervisors**

DRCO's Board of Supervisors has 3 supervisors including 1 employee representative. The number and composition of the Board of Supervisors meet the requirements of relevant laws, regulations and the Articles of Association. During the reporting period, DRCO's Board of Supervisors held six meetings in accordance with the requirements of relevant laws and regulations. By attending the general meetings and the Board meetings, supervisors exercised strict supervision over DRCO's standardized operation, business activities, material matters, financial position and the performance of duties by directors and senior management, effectively safeguarding the interests of shareholders. The meetings of the Board of Supervisors were convened in a lawful and valid manner, and there was no violation of relevant laws and regulations by the supervisors in exercising their powers.

#### **(V) Investor relations management**

DRCO attaches great importance to investor relations management and has established the Investor Relations Management System. During the reporting period, DRCO carried out investor relations management work through multiple channels, platforms and means, fully listened to investors' suggestions, enhanced investors' understanding and recognition of DRCO, and promoted positive interaction between DRCO and investors. DRCO disclosed relevant information in a true, accurate, timely, fair and complete manner to ensure that all shareholders have fair access to information about DRCO.

#### **(VI) Stakeholders**

DRCO fully respects and safeguards the legitimate rights and interests of relevant stakeholders, strives to achieve a harmonious balance among the interests of shareholders, employees and society, and continues to promote the sustainable and healthy development of DRCO. In accordance with relevant laws, regulations and regulatory documents such as the "The No.2 Guidelines of the Shenzhen Stock Exchange for Self-Discipline and Regulation of Listed Companies - Standardized Operation of Companies Listed on ChiNext Market", DRCO has issued the 2022 Annual Sustainable Development Report, as detailed in the "2022 Sustainable Development Report" disclosed by DRCO on www.cninfo.com.cn on 28 April 2023.

Whether there is any significant difference between the actual situation of corporate governance and the laws, administrative regulations and the provisions on the governance of listed companies issued by the CSRC

Yes No

There is no significant difference between the actual situation of corporate governance and the laws, administrative regulations and the provisions on the governance of listed companies issued by the CSRC.

## **II. Independence of DRCO from Controlling Shareholders and Actual Controllers in Asset, Personnel, Finance, Institution and Business**

DRCO operates in accordance with the requirements of The company Law of PRC, the Securities Law and other relevant laws and regulations, and the Articles of Association; and has established and improved the corporate governance structure. Therefore, DRCO is independent of the controlling shareholders, the actual controllers and other enterprises controlled by them in terms of assets, personnel, finance, institutions and business, and enjoys asset integrity and independence of business and the ability to operate independently in the market.

**(I) Asset integrity**

DRCO has the business system and related assets related to the operation, legally owns the ownership of or right to use the trademarks, patents and non-patented technologies related to the operation, and has its own raw material procurement system and product sales system. DRCO has clear and complete ownership of its assets, and enjoys independent control and domination over all assets. DRCO has not provided guarantees for the debts of shareholders with its assets, interests or creditworthiness, and does not have assets or funds being illegally occupied by controlling shareholders to the detriment of DRCO's interests and reliance on shareholders and other institutions.

**(III) Personnel independence**

The directors, supervisors and senior managers of DRCO are elected in strict accordance with the relevant provisions of DRCO Law and the Articles of Association; the general manager, the deputy general manager, the person in charge of finance, the Board secretary and other senior managers of DRCO neither hold positions other than director and supervisor in DRCO's controlling shareholders, actual controllers and other enterprises controlled by them, nor receive remuneration from DRCO's controlling shareholders, actual controllers and other enterprises controlled by them; the financial personnel of DRCO do not work part-time in the organizations of controlling shareholders or the actual controllers and other enterprises controlled by them.

**(III) Financial independence**

DRCO has set up an independent financial department with full-time accounting personnel, and established an independent financial accounting system and financial management policies to make financial decisions independently in strict accordance with accounting laws and regulations including the Accounting Law of the People's Republic of China. DRCO has a standardized financial accounting system and financial management policies for branches and subsidiaries; DRCO doesn't share bank accounts with controlling shareholders, actual controllers and other enterprises controlled by them.

**(IV) Institutional independence**

DRCO has set up and defined the responsibilities and rights of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and other bodies for decision-making, operation management and supervision. and supervision. Therefore, DRCO has established a standardized and effective corporate governance structure. Based on the development needs, DRCO has established a series of internal operation and management institutions that independently exercise the right of operation and management, and there is no institutional mixing with the controlling shareholders, the actual controller and other enterprises under their control.

**(V) Business independence**

DRCO has an independent and complete research and development, design, procurement and sales business system, with the ability to directly conduct business operation by itself on the market. DRCO's business is independent of the controlling shareholders, the actual controllers and other enterprises under their control. Between DRCO and its controlling shareholders, the actual controllers and other enterprises under their control, there is neither horizontal competition that has a material adverse effect on the issuer, nor any connected transaction that materially impacted the independence and was obviously unfair.

**III. Horizontal Competition**

Applicable  Not Applicable

## IV. Annual General Meetings and Extraordinary General Meetings Held during Reporting Period

### 1. General meetings of shareholders during the reporting period

Session	Type of meeting	Percentage of attending investors	Date of convening	Date of disclosure	Resolution of meeting
The First Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting of Shareholders	90.24%	January 18, 2022	January 18, 2022	For details, please refer to the Announcement on the Resolution of the First Extraordinary General Meeting of Shareholders in 2022 published on www.cninfo.com.cn (No. 2022-001)
2021 Annual General Meeting of Shareholders	Annual general meeting of shareholders	90.94%	May 20, 2022	May 20, 2022	For details, please refer to the Announcement for the First General Meeting of Shareholders in 2022 published on www.cninfo.com.cn (No. 2022-029)
The Second Extraordinary General Meeting of Shareholders in 2022	Extraordinary general meeting of shareholders	87.54%	July 08, 2022	July 08, 2022	For details, please refer to the Announcement for the Resolution of the Second Extraordinary General Meeting of Year 2022 posted on www.cninfo.com.cn (No. 2022-041)

### 2. Preferred shareholders whose voting rights have been restored request to convene an extraordinary general meeting of shareholders

Applicable  Not Applicable

## V. Weighted Voting Right Arrangement

Applicable  Not Applicable

## VI. Corporate Governance of Red-chip Company

Applicable  Not Applicable

## VII. Directors, Supervisors and Senior Management

### 1. Basic information

Name	Position	Employment	Gender	Age	Start date	End	Number of	Number of	Number	Other	Number	Reasons
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		status			of tenure	date of tenure	shares held at the beginning of the period (shares)	shares increased during the current period (shares)	of shares reduced during the current period (shares)	increases or decreases (shares)	of shares held at end of current period (shares)	for changes in shares
Zhang Guotao	Chairman, General Manager (President)	Incumbent	Male	37	July 11, 2019	July 7, 2025	0	0	0	0	0	
Lu Yiwen	Director, Deputy General Manager (Vice President)	Incumbent	Female	36	July 11, 2019	July 7, 2025	0	0	0	0	0	
Wei Qingxing	Director, Deputy General Manager (Vice President)	Resigned	Male	40	July 11, 2019	March 31, 2023	0	0	0	0	0	
Huang Shuirong	Director, Deputy General Manager (Vice President), Secretary of the Board and Chief Financial Officer	Incumbent	Male	48	July 11, 2019	July 7, 2025	0	0	0	0	0	
Hu Xiaoming	Director	Incumbent	Male	42	July 11, 2019	July 7, 2025	0	0	0	0	0	
Chen Qisheng	Director	Incumbent	Male	37	March 08, 2021	July 7, 2025	0	0	0	0	0	
Li Yang	Independent Director	Incumbent	Male	40	January 15, 2020	July 7, 2025	0	0	0	0	0	
Liang Jun	Independent	Incumbent	Male	45	January	July 7,	0	0	0	0	0	

	Director				15, 2020	2025						
Zhong Min	Independent Director	Incumbent	Male	50	November 24, 2020	July 7, 2025	0	0	0	0	0	
Huang Yingfeng	Chairman of the Board of Supervisors	Incumbent	Female	34	July 08, 2022	July 7, 2025	0	0	0	0	0	
Shen Ai	Supervisor	Incumbent	Female	33	July 08, 2022	July 7, 2025	0	0	0	0	0	
Yin Luwen	Employee Representative Supervisor	Resigned	Male	43	July 11, 2019	April 10, 2023	0	0	0	0	0	
Wu Wanhong	Employee Representative Supervisor	Incumbent	Female	29	April 10, 2023	July 7, 2025	0	0	0	0	0	
Zhao Ranran	Chairman of the Board of Supervisors	Resigned	Female	33	July 11, 2019	July 8 2022	0	0	0	0	0	
Wang Tong	Supervisor	Resigned	Female	36	July 11, 2019	July 8 2022	0	0	0	0	0	
Lin Zhenghai	Chief Financial Officer	Resigned	Male	41	July 11, 2019	July 8, 2022	0	0	0	0	0	
Total	--	--	--	--	--	--	0	0	0	0	0	--

Whether any directors, supervisors and senior officers were dismissed during the reporting period

Yes No

Changes in directors, supervisors and senior management of DRCO

Applicable  Not Applicable

Name	Position	Type	Date	Reason
Zhao Ranran	Chairman of the Board of Supervisors	Departed at the end of the term of office	July 8, 2022	Departed at the end of the term of office
Wang Tong	Supervisor	Departed at the end of the term of office	July 8, 2022	Departed at the end of the term of office
Lin Zhenghai	Chief Financial Officer	Departed at the end of the term of office	July 8, 2022	Departed at the end of the term of office
Huang Yingfeng	Chairman of the Board of Supervisors	Elected	July 8, 2022	Election of new session
Shen Ai	Supervisor	Elected	July 8, 2022	Election of new session
Wei Qingxing	Director, Deputy General Manager (Vice President)	Resigned	March 31, 2023	Resign for personal reasons
Yin Luwen	Employee Representative Supervisor	Resigned	April 10, 2023	Work Adjustment
Wu Wanhong	Employee representative supervisor	Elected	April 10, 2023	Elected by the employee representative meeting

## 2. Positions

Professional background and career experience of DRCO's incumbent directors, supervisors and senior management and their current major responsibilities in DRCO.

### (1) Profiles of the Board members

#### ① Mr. Zhang Guotao

Mr. Zhang Guotao, Chairman of the Board, is a Chinese citizen without permanent residence permit outside China. Born in 1985, he holds an EMBA degree from Cheung Kong Graduate School of Business and is the founder of DRCO. Mr. Zhang has received awards including the "Outstanding Young Entrepreneur Award (40 years and below)" and the "Top 10 Leaders of Asian Brands". He was the executive director and general manager of Darry Corporation (戴瑞有限) and now acts as DRCO's chairman, general manager (president), as well as the executive director & general manager of DR Investment, Qianhai Wendi, Wendi Design, Wendi Technology and EveryYear Travel Photography.

#### ② Ms. Lu Yiwen

Ms. Lu Yiwen is the director of DRCO. She is a Chinese citizen without permanent residence permit outside China. Born in 1987, she holds an EMBA degree from China Europe International Business

School (CEIBS). As the founder of DRCO, she has received awards such as "Forbes 30 Under 30 China", "Hurun China Under 30s To Watch" and "Top 10 Leaders of Asian Brands". Ms. Lu was ever the vice president and supervisor of Darry Corporation (戴瑞有限) and now acts as the director and deputy vice general manager (vice president) of DRCO, the supervisor of DR Investment, the supervisor of EveryYear Travel Photography, the supervisor of Wendi Design and Wendi Technology.

### ③ Mr. Huang Shuirong

Mr. Huang Shuirong, the director of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1974, Mr. Huang received his master's degree from Zhongnan University of Economics and Law, and he is a senior accountant. Mr. Huang once served as the financial manager of Guangdong-based Jianlibao Group, the chief financial officer of Xilong Chemical Co., Ltd., the general manager of the financial center at Xilong Chemical Co., Ltd., and the financial manager of Tiandi No.1 Beverage Inc.; since joining DRCO in 2018, he has held such positions as the vice president and financial manager of Darry Corporation (戴瑞有限) and now is the director, deputy general manager (vice president), Board secretary and financial manager of DRCO.

### ④ Mr. Hu Xiaoming

Mr. Hu Xiaoming, the director of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1980, he received his bachelor's degree from Shenzhen University. Mr. Hu used to be the planning manager of Guangzhou Himalayan Advertising Co., Ltd., the senior brand planning manager of Jiaduobao (China) Beverage Co., Ltd., the brand director of Shenzhen Shengzi Technology Co., Ltd., and the deputy brand director of Yulong Computer Communication Technology (Shenzhen) Co., Ltd. Since joining DRCO in 2016, he has held such positions as the brand director and strategy director at the market center of Darry Corporation (戴瑞有限), and now he acts as the director and strategy head at DRCO.

### ⑤ Mr. Chen Qisheng

Mr. Chen Qisheng, the director of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1986, he received his bachelor's degree and holds the CMA certificate. He once worked in Chow Tai Fook Jewelry (Shenzhen) Co., Ltd., Kingdee Software (China) Co., Ltd. and Shenzhen Jianjiaqin Jewelry Co., Ltd. Since joining DRCO in 2015, he has ever held the position of a senior financial manager and now acts as the director and the responsible head for business and finance.

### ⑥ Mr. Li Yang

Mr. Li Yang, the independent director of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1983, he received his PhD degree from Columbia University and is an Associate Professor of Cheung Kong Graduate School of Business. Since 2020, he has been an independent director of DRCO, as well as an independent director of 360 Ludashi Holdings Co., Ltd., Westingarea Supply Chain (Shanghai) Co., Ltd. and New Tianli Technology Co., Ltd.

### ⑦ Mr. Liang Jun

Mr. Liang Jun, the independent director of DRCO, is a Chinese citizen without permanent residence permit outside China. born in 1977, he received his master's degree from Renmin University of China, and the EMBA degree from China Europe International Business School. Mr. Liang used to be the marketing manager of consumer goods subsidiary under Humanwell Healthcare, the board secretary of Shenzhen Sinobioway Xinpeng Biomedicine Co., Ltd., the senior partner and fund manager of Shenzhen-based Rabbit Fund; he has been serving as the independent director of DRCO since 2020.

### ⑧ Mr. Zhong Min

Mr. Zhong Min, the independent director of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1973, he received his bachelor's degree from Hangzhou Dianzi University and holds the CPA certificate. Mr. Zhong ever served as a senior manager of Shenzhen Tongren Accounting Firm, a salaried partner of Shenzhen Pengcheng Enterprise Management Consulting Co., Ltd., the chief financial officer of Shenzhen Yuezhong Investment Holdings Co., Ltd., the independent director of Guangzhou Fangbang Electronics Co., Ltd.. He has been acting as the independent director of DRCO since 2020, and also a director of Shenzhen Yuezhong Investment Holdings Co., Ltd. and an independent director of Shenzhen Xunfang Technology Co., Ltd.

## (2) Profiles of the members of the Board of Supervisors

### ① Ms. Huang Yingfeng

Ms. Huang Yingfeng, Chairman of the Board of Supervisors, is a Chinese citizen without permanent residence permit outside China. Born in 1989, she received her master's degree from Shenzhen University. She used to be the screenwriter of Shenzhen All Things Growth Media Co., Ltd., the content director of Beijing October 5th Film Media Co., Ltd, and the general manager of Shenzhen Weiwan Daixu Technology Co., Ltd.; She joined DRCO in 2020 and now acts as the Chairman of the Board of Supervisors and the head of the Official Account Operation Department.

### ② Ms. Shen Ai

Ms. Shen Ai, the supervisor of DRCO, is a Chinese citizen without permanent residence permit outside China. Born in 1989, she received her bachelor's degree from Shenzhen University. Since joining DRCO in 2012, she has held the positions including the copywriter, copywriter manager and copywriter expert at Darry Corporation (戴瑞有限). Now she acts as the supervisor and UCC operation manager at DRCO.

### ③ Ms. Wu Wanhong

Ms. Wu Wanhong, the employee representative supervisor, is a Chinese citizen without permanent residence permit outside China. Born in 1993, she received her bachelor's degree from Guangzhou University. She ever worked as an accountant in Minhua Furniture Manufacturing (Shenzhen) Co., Ltd. Since joining DRCO in 2017, Ms. Wu has held such positions as the retail accounting manager and the senior accounting manager. Now she serves as the business and finance manager in DRCO.

## (3) Profiles of senior management

### ① Mr. Zhang Guotao

Mr. Zhang Guotao currently serves as Chairman and General Manager (President). For his biographies, please refer to the section "Profiles of Board Members".

### ② Ms. Lu Yiwen

Ms. Lu Yiwen currently serves as the director and deputy general manager (vice president). For her biographies, please refer to the section "Profiles of Board Members".

### ③ Mr. Huang Shuirong

Mr. Huang Shuirong currently serves as the director and deputy general manager (vice president). For his biographies, please refer to the section "Profiles of Board Members".

Positions in shareholder entity

Applicable  Not Applicable

Name of employee	Name of shareholder entity	Position held in shareholder entity	Start date of tenure	End Date of tenure	Whether receive remunerations in shareholder entity
Zhang Guotao	DR Investment (Zhuhai) Co., Ltd.	Executive Director, General Manager	November 24, 2015		No
Zhang Guotao	Gongqingcheng Wendi No.1 Investment Management Partnership (LP)	Executive Partner (with a proxy appointed)	December 1, 2017		No
Zhang Guotao	Gongqingcheng Wendi No.2 Investment Management Partnership (LP)	Executive Partner (with a proxy appointed)	December 1, 2017		No
Zhang Guotao	Gongqingcheng Wendi No.3 Investment Management Partnership (LP)	Managing partner (with a proxy appointed)	December 4, 2017		No
Lu Yiwen	DR Investment (Zhuhai) Co., Ltd.	Supervisor	November 24, 2015		No
Description of the position in the shareholder entity		Not applicable			

## Position in other entity

Applicable  Not Applicable

Name of person	Name of other entity	Position held in other entity	Start date of tenure	End Date of tenure	Whether receive remunerations in other entity
Zhang Guotao	Shenzhen Qianhai Wendi Management Consulting Co., Ltd.	Executive Director, General Manager	September 5, 2017		No
Zhang Guotao	Zhuhai Wendi Design Consulting Co., Ltd.	Executive Director, Manager	July 26, 2021		No
Zhang Guotao	Zhuhai Wendi Technology Co., Ltd.	Executive Director, Manager	July 27, 2021		No
Zhang Guotao	Shenzhen EveryYear Travel Photography Culture Co., Ltd.	Executive Director, General Manager	August 10, 2021		No
Lu Yiwen	Shenzhen EveryYear Travel Photography Culture Co., Ltd.	Supervisor	December 13, 2019		No
Lu Yiwen	Zhuhai Wendi Technology Co., Ltd.	Supervisor	July 27, 2021		No

Lu Yiwen	Zhuhai Wendi Design Consulting Co., Ltd.	Supervisor	July 26, 2021		No
Huang Shuirong	Shenzhen Rongzhi Lianchuang Investment Enterprise (LP)	Managing partner	March 30, 2015		No
Li Yang	360 Ludashi Holdings Limited	Independent Non-Executive Director	June 5, 2019		Yes
Li Yang	Cheung Kong Graduate School of Business	Associate Professor	July 1, 2017		Yes
Li Yang	Westingarea Supply Chain (Shanghai) Co., Ltd.	Independent Director	February 09, 2022		Yes
Li Yang	Xintianli Technology Co., Ltd.	Independent Director	July 11, 2022		Yes
Zhong Min	Beijing Zhierxing Culture Media Co., Ltd.	Director	November 14, 2013		No
Zhong Min	Shenzhen Yuezhong Culture Group Co., Ltd	Director	January 16, 2019		No
Zhong Min	Shenzhen Yuezhong Tianze Real Estate Development Co., Ltd.	Director	January 5, 2013		No
Zhong Min	Shenzhen Yuezhong Investment Holding Co., Ltd.	Director	December 26, 2006		Yes
Zhong Min	Shenzhen Binhai Penghui Fund Management Co., Ltd.	Chairman	November 15, 2018		No
Zhong Min	Guangzhou Fangbang Electronics Co., Ltd.	Independent Director	December 12, 2016	August 1, 2022	Yes
Zhong Min	Shenzhen Xunfang Technology Co., Ltd.	Independent Director	June 1, 2020		Yes
Wang Tong	Shenzhen Qianhai Wendi Management Consulting Co., Ltd.	Supervisor	September 5, 2017		No
Description of position in other entity	None				

Whether DRCO's current and resigned directors, supervisors and senior management were penalized by securities regulators in the past three years

Applicable  Not Applicable

### 3. Remunerations of directors, supervisors and senior management

- Decision-making process, basis for determination and actual payment of remunerations for directors, supervisors and senior management

The remuneration of DRCO's directors and supervisors is determined in accordance with the following principles: non-independent directors do not receive remuneration or allowances for directors but are compensated according to the specific position they hold in DRCO; independent directors receive allowances; supervisors do not receive remuneration or allowances but are compensated according to the specific position they hold in DRCO. The remuneration of DRCO's directors, supervisors, senior management and other core personnel consists mainly of basic salary, position benefits and performance-based incentives.

The remuneration plan for directors are to be considered and approved by the Board and reported to the general meeting through the Board for consideration and approval. The remuneration plan for supervisors are considered and approved by the general meetings; the remuneration plan for senior management is considered and approved by the board meetings; the remuneration plan for other core personnel who do not concurrently serve as directors, supervisors or senior management is determined according to the remuneration plan formulated by DRCO's management.

During the reporting period, the remuneration of DRCO's directors, supervisors and senior management has been paid in full.

- Actual payment for the remuneration of directors, supervisors and senior management

Unit: RMB0'000

Name	Position	Gender	Age	Employment status	Total pre-tax compensation received from DRCO	Whether receive compensation from any connected party of DRCO
Zhang Guotao	Chairman, General Manager (President)	Male	37	Incumbent	407.71	No
Lu Yiwen	Director, Deputy General Manager (Vice President)	Female	36	Incumbent	190.45	No
Wei Qingxing	Director, Deputy General Manager (Vice President)	Male	40	Resigned	123.41	No
Huang Shuirong	Director, Deputy General Manager (Vice President), Secretary of the Board and Financial Manager	Male	48	Incumbent	194.42	No
Hu Xiaoming	Director	Male	42	Incumbent	75.12	No
Chen Qisheng	Director	Male	37	Incumbent	88.62	No
Li Yang	Independent Director	Male	40	Incumbent	8	No

Liang Jun	Independent Director	Male	45	Incumbent	8	No
Zhong Min	Independent Director	Male	50	Incumbent	8	No
Huang Yingfeng	Chairman of the Board of Supervisors	Female	34	Incumbent	36.2	No
Shen Ai	Supervisor	Female	33	Incumbent	23.84	No
Yin Luwen	Supervisor	Male	43	Incumbent	35.34	No
Zhao Ranran	Chairman of the Board of Supervisors	Female	33	Resigned	56.65	No
Wang Tong	Supervisor	Female	36	Resigned	33.17	No
Lin Zhenghai	Chief Financial Officer	Male	41	Resigned	36.05	No
Total	--	--	--	--	1,324.98	--

## VIII. Performance of Duties by DRCO Directors during Reporting Period

### 1. Board of Directors in the reporting period

Meeting	Date of convening	Date of disclosure	Resolution of meeting
15th Meeting of the First Session of Board of Directors	April 20, 2022	April 22, 2022	For details, please refer to the Announcement for the Resolution of the 15th Meeting of the First Session of Board of Directors published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> (No. 2022-023)
16th Meeting of the First Session of Board of Directors	June 21, 2022	June 23, 2022	For details, please refer to the Announcement for the Resolution of the 16th Meeting of the First Session of Board of Directors published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> (No. 2022-034)
First Meeting of the Second Session of Board of Directors	July 8, 2022	July 8, 2022	For details, please refer to the Announcement for the Resolution of the First Meeting of the Second Session of Board of Directors published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> (No. 2022-042)
Second Meeting of the Second Session of Board of Directors	August 25, 2022	August 29, 2022	For details, please refer to the Announcement for the Resolution of the Second Meeting of the Second Session of Board of Directors published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> (No. 2022-051)
Third Meeting of the Second	October 26, 2022	October 28, 2022	For details, please refer to the Announcement for the Resolution of the Third Meeting of the Second Session of Board of Directors published on

Session of Board of Directors			www.cninfo.com.cn (No. 2022-060)
Fourth Meeting of the Second Session of Board of Directors	December 29, 2022	December 31, 2022	For details, please refer to the Announcement for the Resolutions of the Fourth Meeting of the Second Session of Board of Directors (No. 2022-069)

## 2. Attendance of directors at the Board meetings and the general meetings

Attendance of directors at the Board meetings and the general meetings							
Name of director(s)	Required attendance in Board meetings during the year	Attendance in Board meetings in person	Attendance in Board meetings via communication equipment	Attendance by proxy	Number of absences from Board meetings	Absence from two consecutive meetings or not	Attendance at general meetings
Zhang Guotao	6	6	0	0	0	No	2
Lu Yiwen	6	5	1	0	0	No	3
Wei Qingxing	6	4	2	0	0	No	3
Huang Shuirong	6	5	1	0	0	No	3
Hu Xiaoming	6	6	0	0	0	No	3
Chen Qisheng	6	6	0	0	0	No	3
Li Yang	6	0	6	0	0	No	2
Liang Jun	6	3	3	0	0	No	3
Zhong Min	6	1	5	0	0	No	3

Description of absence from two consecutive Board meetings in person

Not applicable.

## 3. Dissent of directors to corporate issues

Dissent of directors to relevant issues of DRCO

Yes No

During the reporting period, the directors did not raise any objection to the relevant matters of DRCO.

#### 4. Other information on duty performance of directors

Whether the suggestions of the directors are adopted or not.

Yes  No

Descriptions on whether the suggestions of the directors are adopted or not

During the reporting period, all directors of DRCO performed their duties faithfully and diligently, actively attended the Board meetings and general meetings, and deliberated all proposals in accordance with relevant laws, regulations and normative documents including DRCO Law, the Securities Law, the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the No.2 Guidelines of the Shenzhen Stock Exchange for Self-Discipline and Regulation of Listed Companies - Standardized Operation of Companies Listed on ChiNext Market, the Articles of Association, the Rules of Procedure of the Board of Directors, and the Work System for Independent Directors. Based on the actual situation of DRCO, all directors have made in-depth discussions on DRCO's business activities, financial status, major issues and other matters to make suggestions for DRCO's business development, fully consider the interests and demands of minority shareholders, enhance the scientific decision-making of the board of directors in a timely manner, and promote the sustainable and healthy development of DRCO/s operations.

#### IX. Special Committees under the Board of Directors during Reporting Period

Name of committee	Members	Number of meetings held	Date of convening	Contents of the meetings	Important opinions and suggestions	Other descriptions on duty performance	Details of objections (if any)
Audit Committee	Zhong Min, Liang Jun, Huang Shuirong	3	April 19, 2022	1. Review the "Resolution on the 2021 Annual Report and Its Summary"; 2. Review the "Resolution on the 2022Q1 Quarterly Results" 3. Review the "Resolution on the 2021 Financial Results"; 4. Review the "Resolution on the 2021 Internal Control Self-assessment Report"; 5. Review the "Resolution on	The Audit Committee reviewed the matters under consideration in strict accordance with the Articles of Association, the Rules of Work of the Audit Committee and relevant laws and regulations, fully communicated with DRCO and the auditors and unanimously approved relevant resolutions after discussion.	1. Communicate with the external auditors to ensure that the financial statements give a true, fair and complete view of the overall financial position of DRCO; 2. Guide the internal audit work and play the role of the Audit Department in "improving corporate governance, adding value and achieving	

			<p>2011 Annual Report on Deposit and Use of Proceeds”</p> <p>6. Review the “Resolution on Renewing Engagement of Audit Institution in 2022”</p> <p>7. Review the “Resolution on Revising Internal Audit Management Policies”</p> <p>8. Review the “Resolution on the 2022Q1 Work Review and 2022 Work Plan of DRCO’s Audit Department”</p>		objectives”.	
		August 19, 2022	<p>1. Review the “Resolution on the 2022 Interim Report and Its Summary”;</p> <p>2. Review the “Resolution on 2022 Interim Report on Deposit and Use of Proceeds”</p> <p>3. Review the “Resolution on the 2022Q2 Work of DRCO’s Audit Department”</p>	The Audit Committee reviewed the matters under consideration in strict accordance with the Articles of Association, the Rules of Work of the Audit Committee and relevant laws and regulations, and unanimously approved relevant resolutions after discussion with related parties.	Guide the internal audit work and play the role of the Audit Department in "improving corporate governance, adding value and achieving objectives”.	
		October 24, 2022	<p>1. Review the "Resolution on the 2022Q3 Quarterly Results”</p> <p>2. Resolution on reviewing the “2022Q3 Special Report on Deposit and Use of Proceeds”</p> <p>3. Review the “Resolution on the 2022Q3 Work of DRCO’s Audit Department”</p>	The Audit Committee reviewed the matters under consideration in strict accordance with the Articles of Association, the Rules of Work of the Audit Committee and relevant laws and regulations, and unanimously	Guide the internal audit work and play the role of the Audit Department in "improving corporate governance, adding value and achieving objectives”.	

					approved relevant resolutions after discussion with related parties.		
Remuneration and Appraisal Committee	Liang Jun, Wei Qingxing, Zhong Min	1	April 19, 2022	<p>1. Review the "Resolution on the Plan for Remuneration and Allowance of Directors in 2022";</p> <p>2. Review the "Resolution on the Plan for Remunerations of Senior Management in 2022";</p>	The Remuneration and Appraisal Committee, in strict accordance with the Articles of Association, the Working Rules of the Remuneration and Appraisal Committee and relevant laws and regulations, unanimously approved relevant resolutions after in-depth discussion.		
Nomination Committee	Li Yang, Lu Yiwen, Zhong Min	2	June 21, 2022	<p>1. Review the "Resolution on the General Election of DRCO's Board of Directors and the Nomination of Candidates for Non-Independent Directors of the Second Session of Board of Directors";</p> <p>2. Review the "Resolution on the General Election of DRCO's Board of Directors and the Nomination of Candidates for Independent Directors of the Second Session of Board of Directors";</p>	The Nomination Committee considered the matters under consideration in strict accordance with the Articles of Association, the Working Rules of the Nomination Committee and relevant laws and regulations, and conducted a serious review of the qualifications of director candidates. After discussion, relevant nominations were unanimously approved.		
			July 8, 2022	Review the Resolution on the Appointment of Senior	The Nomination Committee considered the matters under		

				<p>Management of DRCO</p>	<p>consideration in strict accordance with the Articles of Association, the Working Rules of the Nomination Committee and relevant laws and regulations, and conducted a serious review of the qualifications of senior management candidates. After discussion, relevant nominations were unanimously approved.</p>		
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## X. Work of Board of Supervisors

Whether the Board for Supervisors identified any risk to DRCO through supervisory activities during the reporting period.

Yes No

The Board of Supervisors had no objection to the matters under its supervision during the reporting period.

## XI. Employees of DRCO

### 1. Number, functional classification and education background of employees

Number of current employees of the parent Company as of the end of the reporting period (persons)	3,951
Number of current employees of major subsidiaries as of the end of the reporting period (persons)	487
Total number of current employees as of the end of the reporting period (persons)	4,438
Total number of paid employees in the current period (persons)	4,438
Number of retired employees for whom the parent company and its major subsidiaries are responsible for the retirement benefits (persons)	0
<b>Functional classification</b>	
Category	Number of persons
Sales personnel	4,056
Technical personnel	82
Financial personnel	68
Administrative personnel	232
Total	4,438
<b>Education background</b>	
Category	Quantity (person)
Master's degree and above	43
Bachelor's degree	813
Junior college below	3,582
Total	4,438

### 2. Remuneration policy

DRCO continues to improve the remuneration-driven incentive mechanism to ensure the compliance of various remuneration management activities, as well as external competitiveness and internal fairness

and effective incentives. DRCO has a perfect salary system with the compensation structure and range matching the ranks and positions by taking into account the internal and external remuneration contexts. Sticking to the strategy of setting positions and salaries based on skills, DRCO offers competitive compensation to top talents. Performance-based incentives for employees align with DRCO's business results, enabling all staff to share the benefits of the corporate growth. The working environment with equal emphasis on efficiency and fairness, Enable employees to work in a loving environment and lays a foundation for the enthusiasm and stability for employees to achieve self-fulfillment.

### 3. Training program

Considering strategic business growth and staff development, DRCO has arranged comprehensive training programs to build business-supporting organizational capabilities, which are designed to enhance managerial leadership, professionalism of functional departments, professional skills for management trainees recruited from campuses and cultural integration for new comers.

- (1) VE Program for Leadership of Executives: online and offline courses are offered improve the leadership of the management team, with the focus on strengthening the management team's ability to lead the transformation and in-depth learning for brand building and digital marketing, so as to sharpen the overall leadership of the executives.
- (2) TRUE Program for Professionalism: the marketing department is required to learn the marketing methods for mainstream self-media platforms, in a move to improve the brand influence and encourage more actions for true love.
- (3) Training program for management trainees from campuses: they can develop professional skills by taking the courses on effective communication, goal management and structural thinking to quickly adapt to workplace.
- (4) Training program for new comers: online and offline courses are provided for new employees in the functional departments, enabling them to better understand corporate culture, brands, products and processes, and finally fit in work in DRCO.

Training programs are conducive to improve the overall quality and professional skills of employees, meet their needs for improving self-capabilities and in turn drive DRCO's sustainable development.

### 4. Labor outsourcing

Applicable  Not Applicable

Total working hours for labour outsourcing	53,924.00
Total remuneration paid for labour outsourcing (RMB)	3,213,978.80

## XII. Profit Distribution Plan and Plan to Convert Reserves into Share Capital

Formulation, implementation or adjustment of profit distribution policy, particularly cash dividend policy, during the reporting period

Applicable  Not Applicable

DRCO implements the profit distribution policy in strict accordance with the relevant provisions of the Articles of Association of DRCO. The profit distribution plan during the reporting period complied with the provisions of the Articles of Association and the review procedures, fully protecting the legitimate rights and interests of all shareholders of DRCO. On May 20, 2022, DRCO held the 2021 annual general meeting of shareholders to consider and approve the Resolution on the Profit Distribution Plan for 2021. Based on the total share capital of 400,010,000 shares as of December 31, 2021, DRCO distributed RMB20.00 in cash (tax inclusive) for every 10 shares to all shareholders, amounting to a total cash dividend of RMB800,020,000.00 (tax inclusive). No bonus shares were offered and no capital reserve was converted into share capital. This profit distribution plan was completed on June 30, 2022.

Special notes on cash dividend policy	
Whether complies with the provisions of the Articles of Association or the requirements of the resolution of the general meeting of shareholders:	Yes
Whether the criteria and proportion of dividend distribution are clear and unambiguous	Yes
Whether relevant decision-making procedures and mechanisms are sound:	Yes
Whether independent directors have performed their duties and played their due roles:	Yes
Whether minority shareholders have the opportunity to fully express their opinions and requirements, and whether their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not applicable

DRCO's profit distribution plan and plan to convert reserves into share capital during the reporting period are in compliance with DRCO's Articles of Association and administrative measures for dividends

Yes  No  Not applicable

DRCO's profit distribution plan and plan to convert reserves into share capital during the reporting period are in compliance with DRCO's Articles of Association

Profit distribution and capitalization of capital reserve for the year

Number of bonus shares to be distributed for every ten shares (share)	0
Amount to be distributed for every ten shares (RMB) (tax inclusive)	10.00
Number of shares to be converted into share capital for every ten shares (share)	0
Share capital base in distribution proposal (shares)	400,010,000
Amount of cash dividend (RMB) (including tax)	400,010,000.00
Amount of cash dividend in other forms (e.g. share repurchase) (RMB)	0.00
Total cash dividends (including other methods) (RMB)	400,010,000.00
Distributive profit (RMB)	1,246,057,866.12
Proportion of total cash dividends (including other methods) in total profit distribution	100.00%

#### Proposed Cash Dividend Distribution

If DRCO is at its growth stage of the development with significant capital expenditure planned, the minimum cash dividend should be at least 20% of the profit distribution.

#### Details of the profit distribution plan or the plan to convert reserves into share capital

As audited by Ernst & Young Hua Ming LLP (Special General Partner), DRCO's consolidated statement of income for the year 2022 recorded a net profit attributable to shareholders of the parent company of RMB729,241,946.67, including net profit of RMB634,154,146.80 realized by the parent company. According to the company Law of PRC, the Articles of Association and other relevant provisions, when a company distributes its after-tax profit for the year, 10% of the profit shall be withdrawn as DRCO's statutory surplus reserve, and if the accumulated amount of DRCO's statutory surplus reserve is more than 50% of DRCO's registered capital, no further withdrawal may be made. Based on the above provisions, DRCO withdraws the statutory surplus reserve fund of RMB20,794,967.94 in 2022. As of December 31, 2022, the accumulated undistributed profit in DRCO's consolidated financial statement was RMB1,739,260,233.15, and the accumulated undistributed profit of the parent company was RMB1,246,057,866.12.

Based on DRCO's operating results and profitability in 2022, and in line with the principle of continuously

rewarding shareholders and sharing the operating results of DRCO operation with all shareholders, and on the premise of ensuring DRCO's normal operation and long-term development, DRCO's profit distribution plan for 2022 is as follows: based on DRCO's total share capital of 400,010,000 shares as at December 21, 2022, a cash dividend of RMB10.00 per 10 shares (including tax) will be distributed to all shareholders, with the total dividend being RMB400,010,000.00 (including tax); no bonus share will be offered and the capital reserve will not be converted into share capital.

If the total share capital of DRCO changes prior to the implementation of the distribution plan, DRCO will adjust the payout ratio in accordance with the principle that the total amount of the cash dividends remains unchanged.

DRCO records profits and the parent company records a positive undistributed profit during the reporting period but there is no resolution for cash dividend

Applicable  Not Applicable

### **XIII. Implementation of Share Incentive Scheme, Employee Stock Ownership Scheme or Other Incentive Measures for Employees**

Applicable  Not Applicable

There are no share incentive schemes, employee stock ownership schemes or other incentive measures for employees during the reporting period.

### **XIV. Construction and Implementation of Internal Control System during Reporting Period**

#### **1. Construction and implementation of internal control system**

During the reporting period, in accordance with the provisions of the Basic Standard for Enterprise Internal Control and its supporting guidance as well as the other laws, regulations and normative documents, in combination with the external environment, DRCO's own operating conditions and corporate governance requirements, DRCO comprehensively sorted out various business modules and processes, further improved its internal control system and established a scientific, standardized, concise and effective internal control system.

(1) With regard to the corporate governance structure, the Board of Directors of DRCO has established the Audit Committee which is responsible for the communicating, reviewing and supervising DRCO's internal and external audits, and for monitoring and assessing DRCO's internal controls; DRCO has set up the Board of Supervisors to monitor the Board of Directors to develop and implement the internal control system. DRCO has set up an audit department as a routine office, which exercises its functions and powers independently under the guidance of the Audit Committee. The audit department reviews and monitors the establishment and implementation of DRCO's internal control system and the authenticity and integrity of DRCO's financial information.

(2) As for the internal control system, DRCO has formulated a sound internal control system, which covers the key business modules in DRCO's business activities, including: capital activities, procurement business, asset management, supply chain management, sales management, engineering projects, financial reports, comprehensive budget, contract and seal management, human resources management, information systems, significant investments.

(3) In terms of the implementation and supervision of internal control, DRCO strengthens the compliance training of employees and enhances the risk prevention awareness of business departments. In order to ensure the effective operation of internal control, DRCO has formed an end-to-end supervision mode involving the Risk Department, Legal Affairs Department and Audit Department.

#### **2. Details of significant deficiencies in internal control identified during the reporting period**

Yes  No

**XV. Management and Control over Subsidiaries During Reporting Period**

Company name	Integration plan	Progress of integration	Problems	Countermeasures	Working progress	Follow-up resolution
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

**XVI. Internal Control Self-Assessment Report or Internal Control Audit Report****1. Internal control self-assessment report**

Disclosure date of the full text of the Internal Control Self-assessment Report	April 28, 2023	
Disclosure index of the full text of the Internal Control Self-assessment Report	Please refer to the 2022 Internal Control Self-assessment Report" published on www.cninfo.com.cn	
Total assets of entities included in the scope of assessment as a percentage of total assets in DRCO's consolidated financial statements	100.00%	
Revenue of entities included in the scope of assessment as a percentage of revenue in DRCO's consolidated financial statements	100.00%	
Criteria to evaluate deficiencies		
Category	Financial report	Non-financial report
Qualitative criteria	<p>(1) Material weakness: correction of material errors in published financial reports; failure of the audit committee and the audit department to oversee the internal control; findings of fraud involving directors, supervisors and senior management of DRCO; material misstatements in current financial reports identified by the CPA but not by DRCO's internal control department.</p> <p>(2) Significant deficiency: failure to select and apply accounting policies in accordance with GAAP; failure to establish anti-fraud procedures and control measures; and one or more deficiencies of the financial reporting, for which the truthfulness and accuracy</p>	<p>(1) Material weakness: Violation of the State's laws, regulations or regulatory documents; lack of decision-making procedures or unscientific decision-making process that results in material errors; lack of systems or systemic failures of the system for important businesses; failure to rectify material weakness identified by the internal control assessment.</p> <p>(2) Significant errors resulting from deviations of DRCO's decision-making process from the objectives; deficiencies in significant business policies or systems; failure to correct significant deficiencies identified in the</p>

	<p>of the financial statements cannot be reasonably assured.</p> <p>(3) General deficiency: Other control deficiencies related to financial reporting that do not constitute material weakness or significant deficiency.</p>	<p>internal control assessment.</p> <p>(3) General deficiency: Inefficiency of DRCO's decision-making process; deficiencies in general business policies or systems; failure to correct general deficiencies identified in the internal control assessment.</p>
Quantitative criteria	<p>1. Losses resulting or likely to result from deficiencies in internal control are measured against consolidated revenue if they have impacts on the income statement.</p> <p>(1) Material weakness: Misstatement <math>\geq 2\%</math> of consolidated revenue.</p> <p>(2) Significant deficiency: <math>1\% \leq</math> misstatement <math>&lt; 2\%</math> of consolidated revenue.</p> <p>(3) General deficiency: Misstatement <math>&lt; 1\%</math> of consolidated revenue.</p> <p>2. Losses resulting or likely to result from deficiencies in internal controls are measured against total consolidated assets if they have impacts on the asset management.</p> <p>(1) Material weakness: Misstatement <math>\geq 1\%</math> of the total consolidated assets.</p> <p>(2) Significant deficiency: <math>0.5\% \leq</math> misstatement <math>&lt; 1\%</math> of the total consolidated assets.</p> <p>(3) General deficiency: misstatement <math>&lt; 0.5\%</math> of the total consolidated assets.</p>	<p>Direct property losses resulting from direct or potential negative impacts of the deficiencies in internal control are measured against the total consolidated assets.</p> <p>(1) Material weakness: direct property losses <math>\geq 1\%</math> of the total consolidated assets.</p> <p>(2) Significant deficiency: <math>0.5\% \leq</math> direct property losses <math>&lt; 1\%</math> of total consolidated assets.</p> <p>(3) General deficiency: direct property losses <math>&lt; 0.5\%</math> of total consolidated assets.</p>
Number of material weaknesses in financial reporting (#)		0
Number of material weaknesses in non-financial reporting (#)		0
Number of significant deficiencies in financial reporting (#)		0
Number of significant deficiencies in non-financial reporting (#)		0

**2. Internal control audit reports or assurance reports**

Not applicable

**XVII. Rectification in Self-Inspection Required By Special Campaign to Improve Governance Of Listed Companies**

Not applicable.

## Part V. Environmental Protection and Social Responsibility

### I. Material Environmental Issues

Whether the listed company and its subsidiaries are among key pollutant-discharging entities announced by environmental protection authorities

Yes  No

Administrative penalties imposed for environmental issues during the reporting period

Name of DRCO or subsidiary	Reason for penalty	Violation	Penalty results	Impact on the production and operation of the listed company	Company's rectification measures
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Refer to other environmental information disclosed by key pollutant-discharging entities

Not applicable.

Measures taken to reduce carbon emissions during the reporting period and their effect

Applicable  Not Applicable

Reasons for not disclosing other environmental information

Not applicable.

### II. Social Responsibility

For more details, please refer to the 2022 Sustainability Report disclosed by DRCO on April 28, 2023 on [www.cninfo.com.cn](http://www.cninfo.com.cn).

### III. Consolidating and Expanding Achievements in Poverty Alleviation While Revitalizing Rural Areas

Not applicable.

## Part VI. Important Matters

### I. Fulfillment of Commitments

#### 1. Commitments fulfilled during the reporting period or suspended at the end of the reporting period by DRCO's de facto controllers, shareholders, related parties, acquirers and other committed parties

Applicable  Not Applicable

Reason	Commitment maker	Commitment type	Description	Commitment time	Commitment period	Status of fulfillment
Commitments made in the acquisition report or equity change report	Not applicable					
Commitments made during asset restructuring	Not applicable					
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd.	Commitments to lock-up	<ol style="list-style-type: none"> <li>The company shares directly or indirectly held by DRCO prior to the proposed offering shall not be transferred or entrusted to others; or be repurchased by DRCO, for a period of 36 months from the date of listing of DRCO's shares.</li> <li>If the closing price of the company shares is lower than the issue price for twenty consecutive trading days within six months after the listing of DRCO; or is less than the issue price at the end of the six months after the listing (June 15, 2022, extended in case of non-trading day), the lock-up period when the company shares are held by DRCO shall be automatically extended</li> </ol>	December 15, 2021	December 15, 2021 to June 15, 2025	Performing

			<p>by six months (subject to adjustment in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</p> <p>3. In case of any breach of the relevant commitments, DRCO will promptly announce relevant facts and reasons, and will publicly apologize to the shareholders and public investors except of force majeure or other reasons beyond control. Any profit made as a result of the non-fulfillment of the commitments will belong to DRCO. The company shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitment. DRCO shall have the right to temporarily withhold the cash dividends (if any) to which the company is entitled until adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.</p> <p>The above commitments shall not be terminated due to the fact that the company steps down as the controlling shareholder of DRCO.</p>			
Commitments made at the	Gongqingcheng	Commitments	1. The company shares directly or	December	December 15,	Performing

time of the initial public offering or refinancing	Wendi No.1 Investment Management Partnership (LP), Gongqingcheng Wendi No.2 Investment Management Partnership (LP), Gongqingcheng Wendi No.3 Investment Management Partnership (LP)	to lock-up	<p>indirectly held by DRCO prior to the proposed offering shall not be transferred or entrusted to others; or be repurchased by DRCO, for a period of 36 months from the date of listing of DRCO's shares.</p> <p>2. If the closing price of the company shares is lower than the issue price for twenty consecutive trading days within six months after the listing of DRCO; or is less than the issue price at the end of the six months after the listing (June 15, 2022, extended in case of non-trading day), the lock-up period when the company shares are held by DRCO shall be automatically extended by six months (subject to adjustment in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</p> <p>3. In case of any breach of the relevant commitments, DRCO will promptly announce relevant facts and reasons, and will publicly apologize to the shareholders and public investors except of force majeure or other reasons beyond control. Any profit made as a result of the non-fulfillment of the commitments will belong to DRCO. The company shall be held liable for compensating DRCO or investors in accordance with laws in</p>	15, 2021	2021 to June 15, 2025	
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			the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitment.			
Commitments made at the time of the initial public offering or refinancing	Zhang Guotao and Lu Yiwen	Commitments to lock-up	<ol style="list-style-type: none"> <li>1. The company shares directly or indirectly held by DRCO prior to the proposed offering shall not be transferred or entrusted to others; or be repurchased by DRCO, for a period of 36 months from the date of listing of DRCO's shares.</li> <li>2. If the closing price of the company shares is lower than the issue price for twenty consecutive trading days within six months after the listing of DRCO; or is less than the issue price at the end of the six months after the listing (June 15, 2022, extended in case of non-trading day), the lock-up period when the company shares are held by me shall be automatically extended by six months (subject to adjustment in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</li> <li>3. I shall not transfer any shares held directly or indirectly in DRCO within six months of my resignation; if I resign within six months of DRCO's shares being listed, I shall not transfer any shares held directly or indirectly in</li> </ol>	December 15, 2021	December 15, 2021 to June 15, 2025	Performing

			<p>DRCO within 18 months of my resignation; if I resign between the seventh and twelfth months of DRCO's shares being listed, I shall not transfer any shares held directly or indirectly in DRCO within 12 months of my resignation.</p> <p>4. In case of any breach of the relevant commitments, I will promptly announce the facts and reasons for the breach of commitments, and will publicly apologize to DRCO's shareholders and public investors except of force majeure or other reasons beyond my control. Any profit made as a result of the non-fulfillment of the relevant commitments will belong to DRCO. I shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitments. DRCO shall have the right to temporarily withhold the cash dividends (if any) to which I am entitled and suspend the payment of my remuneration or allowances during my employment with DRCO until adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.</p> <p>The above commitment shall not terminate if I step down as the actual controller of DRCO or if I change my position or resign from DRCO.</p>			
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Commitments made at the time of the initial public offering or refinancing	China Securities - CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan, Zhuhai Runxin Zhirong No.1 Investment Partnership (LP)	Commitments to lock-up	<p>The shares allotted to China Securities - CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan shall be subject to a 12-month lock-up period from the date when the stock of the proposed initial public offering is traded on the Shenzhen Stock Exchange. Upon the expiry of the lock-up period, the relevant regulations of the CSRC and the Shenzhen Stock Exchange on share reduction shall apply to the share reduction by the strategic investors.</p> <p>The shares allotted to Zhuhai Runxin Zhirong No.1 Investment Partnership (LP) will be subject to a 12-month lock-up period from the date when the stock of the proposed initial public offering is traded on the Shenzhen Stock Exchange. Upon the expiry of the lock-up period, the relevant regulations of the CSRC and the Shenzhen Stock Exchange on share reduction shall apply to the share reduction by the strategic investors. The shares of the issuer allotted in this strategic placement shall not be transferred, entrusted to third-parties or repurchased by the issuer for a period of 12 months from the date of the initial public offering and listing of the issuer.</p>	December 15, 2021	December 15, 2021 to December 14, 2022	Fulfilled
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd.	Commitments to share reduction	In case of reducing the shareholding within two years after the expiry of the aforesaid lock-up period, DRCO will exactly comply with relevant regulations of the CSRC and the SZSE on share reduction, prudently formulate a share reduction plan; reduce the shareholding by law; make an official announcement three trading days prior to the reduction; and fulfill information	June 16, 2025	June 16, 2025 to June 15, 2027	Performing

			<p>disclosure obligations in a timely and accurate manner in accordance with the rules of the SZSE. The price for the reduction transaction shall not be lower than the issue price (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</p> <p>In case of any breach of the relevant commitments, DRCO will promptly announce relevant facts and reasons, and will publicly apologize to the shareholders and public investors except of force majeure or other reasons beyond control. Any profit made as a result of the non-fulfillment of the commitments will belong to DRCO. The company shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitment. DRCO shall have the right to temporarily withhold the cash dividends (if any) to which the company is entitled until adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.</p> <p>The above commitments shall not be terminated due to the fact that the company steps down as the controlling shareholder.</p>			
Commitments made at the time of the initial public	Gongqingcheng Wendi No.1	Commitments to share	In case of reducing the shareholding within two years after the expiry of the aforesaid	June 16, 2025	June 16, 2025 to June 15,	Performing

offering or refinancing	Investment Management Partnership (LP), Gongqingcheng Wendi No.2 Investment Management Partnership (LP), Gongqingcheng Wendi No.3 Investment Management Partnership (LP)	reduction	<p>lock-up period, DRCO will exactly comply with relevant regulations of the CSRC and the SZSE on share reduction, prudently formulate a share reduction plan; reduce the shareholding by law; make an official announcement three trading days prior to the reduction; and fulfill information disclosure obligations in a timely and accurate manner in accordance with the rules of the SZSE. The price for the reduction transaction shall not be lower than the issue price (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</p> <p>In case of any breach of the aforesaid commitments, DRCO will promptly announce the facts and reasons for the breach of commitments, and will publicly apologize to the shareholders and public investors except of force majeure or other reasons beyond control. Any profit made as a result of the non-fulfillment of the relevant commitments will belong to DRCO. The company shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitments.</p>		2027	
Commitments made at the time of the initial public	DR Corporation Limited	Commitments to profit distribution	I. Treatment of accumulated profits before the offering	December 15, 2021	Permanently valid	Performing

offering or refinancing		policy	<p>According to the resolution of the Fourth Extraordinary General Meeting of Shareholders of DRCO in 2020, the accumulated undistributed profits realized before the proposed public offering of shares will be shared by the new and existing shareholders of DRCO after the offering.</p> <p>II. Dividend distribution policy after initial public offering</p> <p>According to the resolution of DRCO's Fourth Extraordinary General Meeting of Shareholders in 2020, DRCO's profit distribution policy after the offering and listing is as follows:</p> <p>1. Principles of profit distribution</p> <p>DRCO implements a continuous and stable profit distribution policy that attaches importance to providing investors with a reasonable and stable return on their investment and taking into account the long-term and sustainable development of DRCO.</p> <p>2. Form of profit distribution</p> <p>DRCO may distribute dividends in cash, stock, or a combination of cash and stock. DRCO will give priority to paying dividends in cash; if DRCO is growing rapidly, dividends may be paid in shares or a combination of cash and shares.</p> <p>3. Cash dividend policy</p> <p>In principle, DRCO makes an annual cash profit distribution if the conditions for cash</p>			
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			<p>profit distribution are met; DRCO may make an interim cash profit distribution if appropriate. If DRCO's distributable profit for the year are positive and there are no significant investment plans or material cash payments, DRCO's annual distribution of profits in cash shall not be less than 10% of the distributable profits realized for the year. Significant investment plan or material cash payment may be one of the following circumstances:</p> <p>(1) DRCO's proposed external investment, acquisition of assets or purchase of equipment over the next twelve months meets or exceeds 50% of DRCO's latest audited net assets and exceeds RMB50 million;</p> <p>(2) DRCO's proposed external investment, acquisition of assets or purchase of equipment over the next twelve months meets or exceeds 30% of DRCO's latest audited total assets.</p>			
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	Commitments on horizontal competition, connected transactions, and capital appropriation	<p>I. Commitment on avoiding horizontal competition</p> <p>1. As of the date of this commitment letter, except for the company and its wholly-owned or controlled subsidiaries, the company/I and other enterprises, organizations or entities controlled by the company/me are not currently engaged, directly or indirectly, in any business activities that constitute competition with the main business of the company and its wholly-owned or controlled subsidiaries;</p> <p>2. No engagement or association with</p>	December 15, 2021	Permanently valid	Performing

		<p>others, directly or indirectly, is allowed in any business which is the same as, similar to or in any way competitive with the issuer.</p> <p>3. All of efforts shall be made to ensure other affiliates of the commitment makers not to deal in any business that is the same as, similar to or in any way competitive with the issuer.</p> <p>4. No investment shall be permitted in a company, enterprise or other entity or organization whose business is the same as, similar to or in any way competitive with the issuer.</p> <p>5. Any know-how or business secrets, such as sales channels or customer information, shall be disclosed to any other company, enterprise or other entity, organization or person whose business is the same as, similar to or in any way competitive with that of the issuer.</p> <p>6. If, in the future, the company/I get any business opportunity from any third party that may compete with the issuer in the same line of business, the company/I will, in accordance with the principle of the priority of the issuer, inform the issuer immediately and assist the issuer to the extent possible in obtaining such business opportunity;</p> <p>7. If the company/I breach the above commitments and cause financial loss to the issuer, the company/I shall be jointly and severally liable for all losses suffered by the issuer as a result, and the proceeds obtained by DRCO/I as a result of such</p>			
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		<p>breach shall accrue to the issuer.</p> <p>II. Commitment on reducing and regulating connected transactions</p> <p>1. The company/I shall try to avoid or reduce the occurrence of connected transactions with DRCO and the subsidiary entities, and urge the associate parities of the company and mine to avoid or reduce the connected transactions with DRCO and the subsidiary entities.</p> <p>2. If the transactions between I/the company or relevant parities of mine/the company with DRCO and the subsidiary entities are necessary and unavoidable, I/the company undertakes to operate at arm's length in accordance with market-based principles and fair prices, and comply with the transaction procedures and information disclosure obligations in accordance with the relevant laws and regulations, regulatory documents, rules of the stock exchange and the Articles of Association of DRCO, and ensure that the legitimate rights and interests of the issuer and its other shareholders or stakeholders are not prejudiced by connected transactions.</p> <p>3. If I/the company or the connected party of mine/the company breaches the above commitment, I/the company shall be held liable for all the liabilities arising therefrom and shall fully compensate or indemnify DRCO and its shareholders or stakeholders for all losses caused thereby.</p> <p>4. This commitment letter shall take effect</p>			
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			from the date of the signature of mine/the company and shall expire on the date when 12 months have elapsed since I/the company cease to be affiliated with DRCO.			
Commitments made at the time of the initial public offering or refinancing	DR Corporation Limited	Commitments to post-IPO price stabilization	<p>If, within three years after the listing of DRCO's shares, the closing price of DRCO (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO) is lower than DRCO's audited net asset value per share in the most recent period for 20 consecutive trading days (excluding the trading days on which the trading of DRCO's shares is suspended for the whole day, the same below) not because of force majeure factors (hereinafter referred to as the "Triggering Condition"), DRCO and its controlling shareholders as well as directors (other than independent directors) and senior management undertake to implement the following price stabilization measures in accordance with the laws, regulations and DRCO's Articles of Association without affecting the listing condition of DRCO:</p> <p>1. When the Triggering Condition is met, DRCO will convene the Board Meeting within 10 trading days to discuss the share repurchase proposal. The repurchase proposal includes, but not limited to, the number of shares to be repurchased, the repurchase price range, the source of funds for the repurchase, the impact of the</p>	December 15, 2021	December 15, 2021 to December 14, 2024	Performing

		<p>repurchase on DRCO's share price and DRCO's operation, etc. After the proposal is passed by the Board Meeting, the shareholders' meeting will be convened in accordance with laws to review the proposal regarding share buyback and pass a resolution thereon, which must be approved by a least 2/3 of the voting rights held by the shareholders present at the meeting. The specific implementation plan will be announced after DRCO makes a resolution at the Board meeting and the general meeting in accordance with laws.</p> <p>2. After the general meeting of shareholders deliberates and approves the share repurchase plan, DRCO will notify the creditors in accordance with laws, and submit relevant materials to the securities regulators, the stock exchange and other competent departments for approval or filing procedures. The corresponding share repurchase plan will be initiated 10 trading days after the completion of all necessary approval, filing, information disclosure and other relevant procedures. Following the share repurchase, DRCO's equity distribution will continue to comply with the listing requirements.</p> <p>3. The repurchase period shall not exceed three months from the date of approval of the final share repurchase plan by the general meeting or the Board of Directors.</p> <p>4. DRCO will repurchase the shares with its own funds at a price not higher than the latest audited net asset value per share (subject to adjustments in accordance with</p>			
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			<p>the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO after the base date of the audit), and the buyback shall be made by way of call auction trading, tender offer or other means approved by the securities regulators. However, if DRCO's share price no longer meets the conditions for initiating price stabilization measures prior to the implementation of the share repurchase plan, DRCO may discontinue the plan.</p> <p>5. The total amount of funds used by DRCO to repurchase shares shall not exceed the total amount of funds raised from DRCO's initial public offering of ordinary shares in RMB (A shares), and the amount of funds used to repurchase shares in a single fiscal year shall not exceed 20% of the audited net profit attributable to shareholders of the parent company for the previous fiscal year, and the number of shares repurchased in a single fiscal year shall not exceed 2% of the total share capital of DRCO.</p> <p>6. If DRCO breaches any of the foregoing commitments, it will promptly disclose the facts and reasons for the breach and, except of force majeure or other reasons beyond DRCO's control, will apologize to DRCO's shareholders and public investors and at the same time propose supplementary or alternative commitments to protect the interests of investors as far</p>			
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			as possible.			
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd.	Commitment to post-IPO price stabilization	<p>1. When the Triggering Condition for DRCO is met, the company will increase our shareholdings in DRCO in accordance with laws and regulations including the Measures for the Administration of the Takeover of Listed Companies in any of the following cases:</p> <p>① The closing price of the DRCO is lower than its latest net asset value per share for each of the 10 consecutive trading days from the day after DRCO completes its share repurchase plan (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO after the base date of the audit).</p> <p>② The Triggering Condition is again triggered within 3 months from the day after DRCO completes the implementation of its share repurchase plan.</p> <p>③ DRCO cannot implement the share repurchase plan.</p> <p>2. Within two trading days after the Triggering Condition is satisfied, the company will notify the Board of Directors of DRCO which will then publish an announcement on the increase of our holdings. The company will commence the increase on the day following the announcement and shall complete the increase within 30 trading days after the</p>	December 15, 2021	December 15, 2021 to December 14, 2024	Performing

			<p>relevant legal procedures are fulfilled.</p> <p>3. To stabilize the stock price, the company will buy shares of DRCO through auction trading on the secondary market at a price of not higher than the latest audited net asset value per share (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO after the base date of the audit). However, if the share price of DR Corporation Limited no longer meets the conditions for initiating price stabilization measures within three trading days after it discloses our share purchase plan, the company may discontinue the proposed share purchase plan.</p> <p>4. The amount of funds used by the company for every single holding increase shall not be less than 10% nor more than 20% of the accumulated cash dividends received from DRCO in the last three fiscal years; the total amount of funds used for holding increases in a single fiscal year shall not exceed 50% of the accumulated cash dividends received from DRCO in the most recent three fiscal years; and the number of shares purchased in a single fiscal year shall not exceed 2% of the total share capital of DRCO. Following the increase of our shareholding, the equity distribution of DRCO will continue to comply with the listing requirements.</p>			
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			<p>5. The company undertakes not to sell the additional shares within six months of completion of the proposed increase.</p> <p>6. If the company breaches any of the foregoing commitments, DRCO will promptly disclose the facts and reasons for the breach and, except of force majeure or other reasons beyond our control, we will apologize to shareholders and public investors of DRCO who have the right to temporarily withhold the cash dividends (if any) that the company should enjoy until the corresponding measures are taken and implemented as committed.</p> <p>The above commitments shall not be terminated due to the fact that the company stepped down as the controlling shareholder of DRCO.</p>			
Commitments made at the time of the initial public offering or refinancing	Zhang Guotao, Lu Yiwen, Wei Qingxing, Huang Shuirong, Hu Xiaoming, Chen Qisheng and Lin Zhenghai	Commitment to post-IPO price stabilization	<p>1. When the Triggering Condition for DRCO is met, I will increase my shareholdings in DRCO in accordance with laws and regulations including the <i>Measures for the Administration of the Takeover of Listed Companies</i> and the <i>Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof</i> in any of the following cases:</p> <p>① The closing price for each of the 10 consecutive trading days from the day after the controlling shareholder's shareholding increase plan is implemented is lower than the latest audited net asset value per share (ex-rights and ex-dividend treatment shall</p>	December 15, 2021	December 15, 2021 to December 14, 2024	Performing

		<p>be made in the event of equity distribution, conversion of reserves into share capital or rights issue after the base date of the audit).</p> <p>② The Triggering Condition is again triggered within 3 months from the day after the controlling shareholder completes its shareholding increase plan.</p> <p>③ The controlling shareholder cannot implement the share repurchase plan.</p> <p>2. Within two trading days after the Triggering Condition is satisfied, I will notify the Board of Directors of DRCO which will then publish an announcement on my shareholding increase. I will commence the increase on the day following the announcement and shall complete the increase within 30 trading days after the relevant legal procedures are fulfilled.</p> <p>3. To stabilize the stock price, I will buy shares of DRCO through auction trading on the secondary market at a price of not higher than the latest audited net asset value per share (ex-rights and ex-dividend treatment shall be made in the event of equity distribution, conversion of reserves into share capital or rights issue after the base date of the audit). However, if the share price of DRCO no longer meets the conditions for initiating price stabilization measures within three trading days after DRCO discloses my share purchase plan, I may discontinue the proposed share purchase plan. The funds used for a single increase in shareholding shall not be less</p>			
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			<p>than 20% of the total after-tax remuneration received from DRCO in the previous year; the funds used to increase shareholdings in a single fiscal year shall not be more than 50% of the total after-tax remuneration received from DRCO in the previous year; and the cumulative increase in shareholding in a single fiscal year shall not exceed 2% of the enlarged share capital of DRCO.</p> <p>4. I undertakes not to sell the additional shares within six months of completion of the proposed increase, and guarantee that the increase in my shareholding shall not cause the shareholding distribution of DRCO to fail to meet the listing conditions.</p> <p>5. If I breach any of the foregoing commitments, DRCO will promptly disclose the facts and reasons for the breach and, except of force majeure or other reasons beyond my control, I will apologize to shareholders and public investors of DRCO who will cease to pay me remuneration or allowances within five trading days from the foregoing, and the shares of DRCO held directly or indirectly by me shall not be transferred. Meanwhile, DRCO shall have the right to temporarily withhold the cash dividends (if any) that I should enjoy until the corresponding measures are taken and implemented as committed.</p> <p>The above commitment will not be terminated due to the change of my position or resignation.</p>			
Commitments made at the	DR Investment (Zhuhai) Co., Ltd.,	Commitments to	If the issuer and its subsidiaries receive a notice of correction from the competent	December	Permanently	Performing

time of the initial public offering or refinancing	Zhang Guotao and Lu Yiwen	compensating the issuer for possible losses due to the leased property	<p>administrative authorities because the properties leased by them have not been registered for lease filing in accordance with the laws, regulations and normative documents currently in force, the company/I will actively supervise the issuer and its subsidiaries to make rectification in accordance with the requirements.</p> <p>In the event that the issuer and its subsidiaries suffer financial losses due to failure to register the lease, defects in the title of the leased property or defects in the rights of the lessor, defects in the properties built on the leased collective land or administratively allocated land, the company/I shall agree to use our own funds to fully compensate the issue and its subsidiaries so that they do not suffer any financial losses as a result.</p>	15, 2021	valid	
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	Commitment to retroactive payment of social security contributions and housing provident fund	In the event that the issuer or its subsidiaries are required by the competent authorities to make retroactive payments due to failure to make full payment of social security contributions or housing fund in accordance with laws, the company/I shall be fully liable for the retroactive payments and shall ensure that the issuer or its subsidiaries shall not suffer any financial loss as a result.	December 15, 2021	Permanently valid	Performing
Commitments made at the time of the initial public offering or refinancing	DR Corporation Limited	Binding measures in case of failure to fulfill commitments	1. In the event of a breach of the relevant commitments, DRCO will promptly disclose the fact and reasons for the breach and, except for force majeure or other reasons beyond DRCO's control, DRCO will make a public apology to its shareholders and public investors;	December 15, 2021	Permanently valid	Performing

			2. If the failure to fulfill the relevant commitments caused losses to investors, DRCO shall compensate investors for losses in accordance with laws.			
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd.	Binding measures in case of failure to fulfill commitments	<p>1. In the event of a breach of the relevant commitments, the company will promptly disclose the fact and reasons for the breach and, except for force majeure or other reasons beyond our control, the company will make a public apology to DRCO's shareholders and public investors.</p> <p>2. Any profit made as a result of the non-fulfillment of the relevant commitments will belong to the company. The company shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitments.</p> <p>3. In the event of a breach of the relevant commitments, DRCO shall be entitled to withhold the cash dividends (if any) to which the company is entitled until the adverse impact arising from the non-fulfillment of the relevant commitments has been fully eliminated.</p>	December 15, 2021	Permanently valid	Performing
Commitments made at the time of the initial public offering or refinancing	Zhang Guotao, Lu Yiwen, Wei Qingxing, Huang Shuirong, Hu Xiaoming, Chen Qisheng, Yang Li, Liang Jun, Zhong Min, Lin Zhenghai, Zhao Ranran, Yin	Binding measures in case of failure to fulfill commitments	<p>1. In the event of a breach of the relevant commitments, I will promptly disclose the fact and reasons for the breach and, except for force majeure or other reasons beyond my control, I will make a public apology to DRCO's shareholders and public investors;</p> <p>2. Any profit made as a result of the non-fulfillment of the relevant commitments will belong to DRCO. The obligator shall be</p>	December 15, 2021	Permanently valid	Performing

	Luwen and Wang Tong		<p>held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitments.</p> <p>3. In the event of a breach of the relevant commitments, DRCO shall be entitled to withhold the cash dividends (if any) to which I am entitled and suspend the payment of my remuneration or allowances during my employment with DRCO until the adverse impact arising from the non-fulfillment of the relevant commitments has been fully eliminated.</p>			
Commitments made at the time of the initial public offering or refinancing	DR Corporation Limited	Commitments relating to disclosing shareholder information when applying for initial public offering and listing on the ChiNext Market	<p>1. DRCO has disclosed the information of shareholders in the prospectus in a true, complete and accurate manner;</p> <p>2. There are no cases of proxy shareholding or fiduciary shareholding in DRCO's development history, and there are no disputes or potential disputes over equities, etc.</p> <p>3. No stockholders directly or indirectly hold shares of the issuer, which is prohibited by laws and regulations.</p> <p>4. No intermediary participating into the offering or its supervisor, senior management or managerial personnel directly or indirectly hold shares of the issuer.</p> <p>5. DRCO does not have any improper transfer of benefits with the issuer's equity.</p> <p>6. If DRCO breaches the above commitments, it will be liable for all legal</p>	December 15, 2021	Permanently valid	Performing

			consequences arising therefrom.			
Commitments made at the time of the initial public offering or refinancing	Zhang Guotao and Lu Yiwen	Share reduction commitment	<p>After the expiry of the lock-up commitment, I will declare annually to DRCO the shares I have owned directly or indirectly in DRCO and any changes therein during my tenure as a director, supervisor or senior manager of DRCO. The shares transferred each year will not exceed 25% of the total number of shares I hold directly or indirectly in DRCO.</p> <p>In case of reducing the shareholding within two years after the expiry of the lock-up period, I will exactly comply with the relevant regulations of the CSRC and the SZSE on shareholding reduction, prudently formulate a shareholding reduction plan, reduce the shareholding through lawful means, and make an announcement through DRCO three trading days prior to the reduction, and fulfill information disclosure obligations in a timely and accurate manner in accordance with the rules of the SZSE. The reduction price shall not be lower than the issue price (subject to adjustments in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period).</p> <p>In case of any breach of the relevant commitments, I will promptly announce the facts and reasons for the breach of commitments, and will publicly apologize to DRCO's shareholders and public investors</p>	June 16, 2025	June 16, 2025 to June 15, 2027	Performing

			<p>except of force majeure or other reasons beyond my control. Any profit made as a result of the non-fulfillment of the relevant commitments will belong to DRCO. I shall be held liable for compensating DRCO or investors in accordance with laws in the event of any loss that is caused to DRCO or investors as a result of the non-fulfillment of the relevant commitments. DRCO shall have the right to temporarily withhold the cash dividends (if any) to which I am entitled and suspend the payment of my remuneration or allowances during my employment with DRCO until adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.</p>			
<p>Commitments made at the time of the initial public offering or refinancing</p>	<p>DR Corporation Limited</p>	<p>Share repurchase commitment</p>	<p>If, as a result of a false record, misleading statement or material omission in the prospectus for DRCO's proposed offering and listing, which constitutes a material and substantial effect on the determination of whether DRCO complies with the offering conditions as required by laws, within 10 working days from the date such illegal facts are determined by the CSRC, the stock exchange or a competent authority such as a judicial authority, DRCO will initiate the share repurchase procedure in accordance with laws to repurchase all the new shares in the initial public offering. The repurchase price shall be no less than the issue price of DRCO's shares plus interest on deposits with banks for the same period from the issue of the shares to the time of repurchase (the above price will be adjusted accordingly in the event of ex-</p>	<p>December 15, 2021</p>	<p>Permanently valid</p>	<p>Performing</p>

			dividend or ex-rights actions such as dividend payment, bonus issue, conversion of reserves into share capital, issuance of additional shares or rights issue after the listing of DRCO).			
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	Share repurchase commitment	If, as a result of a false record, misleading statement or material omission in the prospectus for DRCO's proposed offering and listing, which constitutes a material and substantial effect on the determination of whether DRCO complies with the offering conditions as required by laws, within 10 working days from the date such illegal facts are determined by the CSRC, the stock exchange or a competent authority such as a judicial authority, the company/I will initiate the share buyback procedure in accordance with laws to buy back all restricted shares having been transferred, and the consideration for such buyback will not be lower than the issue price of DRCO plus the interest on deposits with banks for the same period from the time of stock issuance to the time of buyback (subject to adjustment in accordance with the relevant regulations of CSRC and SZSE in the event of ex-rights and ex-dividend events such as dividend distribution, bonus issue, transfer of shares, issue of additional shares or rights issue by DRCO during the above-mentioned period). At the same time, the company/I will urge DRCO to repurchase all of its new shares issued during the IPO.	December 15, 2021	Permanently valid	Performing
Commitments made at the time of the initial public	DR Corporation Limited, DR Investment	Commitments to share repurchase in	1. The company/I undertake and guarantee that there is no fraud in the proposed	December 15, 2021	Permanently valid	Performing

offering or refinancing	(Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	case of fraudulent offering and listing	offering and listing of DRCO;  2. If DRCO does not meet the listing conditions, but fraudulently obtains the issuance registration and has been listed, the company/I will take share repurchase process to buy back all new stocks publicly issued by DRCO within 5 days after confirmed by competent authorities like CSRC.			
Commitments made at the time of the initial public offering or refinancing	DR Corporation Limited	Measures for and commitments to cover diluted immediate returns	<p>The proposed public offering may lead to dilution of investors' immediate returns. In order to further implement the relevant provisions of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market (Guo Ban Fa [2013] No. 110), optimize the investment return mechanism and safeguard the legitimate rights and interests of small and medium-sized investors, DRCO intends to take following measures to enhance DRCO's profitability and strengthen DRCO's ability to sustain returns:</p> <p>1. Strengthen the main business and improving DRCO's sustainable profitability:</p> <p>DRCO is mainly engaged in brand operation, customized sales, R&amp;D and design of jewelry, and customizes high-quality diamond-inlaid jewelry such as engagement and wedding rings. To consolidate its core business, DRCO will take advantage of the rapid development of China's jewelry industry. Through the proposed public offering and listing, DRCO</p>	December 15, 2021	Permanently valid	Performing

		<p>will enhance its brand image and influence, expand its marketing network, strengthen its information systems and improve its creative design ability of diamond jewelry. DRCO will consolidate its industry leadership and sharpen its sustainable profitability by enhancing its core competitiveness in terms of brand strength, capital strength, marketing network coverage and product design capability.</p> <p>2. Accelerate the investment progress of proceeds-funded projects, improve the efficiency of capital utilization, and strive to achieve the expected returns from the projects soon as possible</p> <p>The proceeds-funded projects include marketing network construction, information system construction, the R&amp;D and creative design center for diamond jewelry and working capital replenishment, all of which are related to DRCO's main business. DRCO will speed up the construction progress of these projects and improve the capital utilization to enhance its profitability as soon as possible. Meanwhile, the use of the proceeds will be strictly managed to ensure the smooth progress of the proceeds-funded projects. These projects will help DRCO further enhance its market competitiveness, consolidate its existing sales channel advantages and R&amp;D and design capabilities, increase expand the market share of its main business, and increase the return for shareholders.</p> <p>3. Increase the efficiency of daily</p>			
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		<p>operations, reduce operating costs, and improve business performance</p> <p>DRCO will further reduce its operating costs through reasonable means, and improve internal control, operating efficiency and profitability. At the same time, DRCO will strive to improve the human resources management and the supporting compensation system to motivate employees at all levels, continue to attract top talents and strengthen talent training, optimize the talent pools and reduce the risk of brain drain, hence laying a solid foundation for its rapid development.</p> <p>4. Refine the profit distribution policy, and optimize the return on investment mechanism</p> <p>In order to establish a continuous, stable and scientific mechanism for investors regarding the return on investment and to ensure the continuity and stability of the profit distribution policy through the systematic institutional arrangements, DRCO has, in accordance with the relevant requirements, clarified the specific conditions, ratio and form of profit distribution, improved the decision-making procedures and mechanism for profit distribution as well as the principles for adjusting the profit distribution policy. DRCO will distribute profits in strict accordance with the Articles of Association and other regulations, formulate and implement a continuous and stable cash dividend plan, and further improve the profit</p>			
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			<p>distribution system, especially the cash dividend policy where necessary, refine the investor return mechanism, and effectively safeguard the legitimate rights and interests of investors and improve the mechanism for protecting the rights and interests of minority investors.</p> <p>5. Further improving the protection system for minority investors</p> <p>DRCO has formulated a series of systems such as the Investor Relations Management System and the Information Disclosure Management System to fully protect the rights of minority investors to be informed and to participate in decision-making, and such institutional arrangements ensure their rights to access the corporate information, choose management officers and participate in major decisions. DRCO undertakes to further improve the relevant systems for protecting minority protectors in accordance with the implementation rules or requirements issued by regulatory authorities including the CSRC and the stock exchange as well as the common practices of listed peers.</p> <p>The above-mentioned measures are designed to not only ensure the effective use of the funds raised by DRCO and but also prevent the risk of diluting the immediate return by the proposed offering, which are conducive to sharpening DRCO's core competitiveness and sustainable profitability, increasing its future earnings and enhancing the return</p>			
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			for shareholders. However, due to the objective existence of internal and external risks faced by DRCO, the implementation of the above measures does not represent a guarantee of future profits made by DRCO.			
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	Commitments to recovering diluted immediate returns	<p>1. The company/I shall not abuse the position as a controlling shareholder/actual controller, shall not interfere with the operation and management activities of DRCO beyond authority, and shall not encroach on the interests of DRCO.</p> <p>2. The company/I will actively urge DRCO to effectively implement the relevant measures to recover the immediate return.</p> <p>3. After the CSRC or the SZSE has issued separate opinions and implementation rules on measures and commitments to cover diluted immediate returns, if the relevant rules of DRCO and the commitments of the company/me are not in line with such rules, the company/I undertake to promptly make additional commitments in accordance with the rules of the CSRC or the SZSE and actively urge DRCO to make new commitments to satisfy the requirements of the CSRC or the SZSE;</p> <p>4. If the company/I breach the above commitments and cause losses to DRCO or investors, the company/I will bear the responsibility to compensate DRCO or investors in accordance with laws.</p>	December 15, 2021	Permanently valid	Performing
Commitments made at the time of the initial public	Zhang Guotao, Lu Yiwen, Wei	Commitments to cover	1. I neither transmit benefits to other entities or individuals without compensation	December	Permanently	Performing

offering or refinancing	Qingxing, Huang Shuirong, Hu Xiaoming, Chen Qisheng, Li Yang, Liang Jun, Zhong Min and Lin Zhenghai	diluted immediate returns	<p>or on unfair terms, nor in any other way harm the interests of DRCO.</p> <p>2. I exercise restraint in duty consumption.</p> <p>3. I shall not use DRCO's assets to engage in investment and consumption activities unrelated to the performance of my duties.</p> <p>4. I will actively promote the improvement of DRCO's remuneration system to make it better comply with the requirements of covering diluted immediate returns; I will support the Board of Directors or Remuneration Committee of DRCO in formulating, amending and supplementing DRCO's remuneration system in line with the implementation of DRCO's measures to recover the returns.</p> <p>5. When promoting DRCO's share incentive scheme (if any), I will actively promote the link between the exercise terms of the share incentive and the implementation of DRCO's measures to recover the return.</p> <p>6. After the CSRC or the SZSE has issued separate opinions and implementation rules on measures and commitments to cover diluted immediate returns, if my commitments are not in line with such rules, I undertake to promptly make additional commitments in accordance with the rules of the CSRC or the SZSE to satisfy the requirements of the CSRC or the SZSE;</p> <p>7. If I breach the above commitments and cause losses to DRCO or investors, I will</p>	15, 2021	valid	
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			bear the responsibility to compensate DRCO or investors in accordance with laws.			
Commitments made at the time of the initial public offering or refinancing	DR Corporation Limited	Commitments to undertaking liability for compensation in accordance with laws	<p>1. The prospectus for DRCO's initial public offering and listing on the ChiNext Market does not contain any false records, misleading statements or material omissions, and DRCO shall be jointly and severally liable for the authenticity, accuracy and completeness of the information thereof.</p> <p>2. If an investor suffers loss in securities trading as a result of a false statement, misleading statement or material omission in DRCO's prospectus, DRCO shall compensate the investor for the loss in accordance with laws;</p> <p>3. In the event of a breach of the relevant commitments, DRCO will promptly disclose the fact and reasons for the breach and, except for force majeure or other reasons beyond DRCO's control, DRCO will make a public apology to its shareholders and public investors. If losses are caused to investors, compensation will be made in accordance with laws. Meanwhile, DRCO will make timely rectification in accordance with the requirements of the CSRC or the stock exchange.</p>	December 15, 2021	Permanently valid	Performing
Commitments made at the time of the initial public offering or refinancing	DR Investment (Zhuhai) Co., Ltd., Zhang Guotao and Lu Yiwen	Commitments to undertaking liability for compensation in accordance with laws	1. The prospectus for DRCO's initial public offering and listing on the ChiNext Market does not contain any false records, misleading statements or material omissions, and the company/I shall be jointly and severally liable for the authenticity, accuracy and completeness of	December 15, 2021	Permanently valid	Performing

			<p>the information thereof.</p> <p>2. If an investor suffers loss in securities trading as a result of a false statement, misleading statement or material omission in DRCO's prospectus, the company/I shall compensate the investor for the loss in accordance with laws;</p> <p>3. In case of any breach of the foresaid commitments, DRCO will promptly disclose the facts and reasons for the breach and, except of force majeure or other reasons beyond our control, the company will apologize to shareholders and public investors of DRCO who shall have the right to temporarily withhold the cash dividends (if any) to which the company is entitled until such time as adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.</p>			
Commitments made at the time of the initial public offering or refinancing	Zhang Guotao, Lu Yiwen, Wei Qingxing, Huang Shuirong, Hu Xiaoming, Chen Qisheng, Yang Li, Liang Jun, Zhong Min, Lin Zhenghai, Zhao Ranran, Yin Luwen and Wang Tong	Commitments to assume liability for compensation in accordance with laws	<p>1. The prospectus for DRCO's initial public offering and listing on the ChiNext Market does not contain any false records, misleading statements or material omissions, and I shall be jointly and severally liable for the authenticity, accuracy and completeness of the information thereof.</p> <p>2. If an investor suffers loss in securities trading as a result of a false statement, misleading statement or material omission in DRCO's prospectus, I shall compensate the investor for the loss in accordance with laws.</p> <p>3. In case of any breach of the relevant commitments, DRCO will promptly</p>	December 15, 2021	Permanently valid	Performing

			announce the facts and reasons for the breach of commitments, and will publicly apologize to DRCO's other shareholders and public investors except of force majeure or other reasons beyond my control. DRCO shall have the right to temporarily withhold the cash dividends (if any) to which I am entitled and suspend the payment of my remuneration or allowances during my employment with DRCO until such time as adverse impact arising from the non-fulfillment of the relevant commitments have been fully eliminated.			
Commitments to equity incentive	Not applicable					
Other commitments to minority shareholders of DRCO	Not applicable					
Other commitments	Not applicable					
Whether the commitment is fulfilled on time	Yes					
Details of specific reasons and next steps for any outstanding delayed commitment	Not applicable					

**2. If there is a profit forecast for DRCO's assets or projects and the reporting period is still within the profit forecast period, DRCO provides an explanation of the assets or projects meeting the original profit forecast and the reasons thereof**

Applicable  Not Applicable

**II. Whether the Controlling Shareholders and Other Associates of DRCO Have Misappropriated DRCO's Funds for Non-Business Purpose**

Applicable  Not Applicable

No controlling shareholders and other associates of DRCO have misappropriated DRCO's funds for non-business purpose.

**III. Whether External Guarantees Are Provided in Violation of Provisions**

Applicable  Not Applicable

During the reporting period, DRCO didn't provide external guarantees in violation of provisions.

**IV. Statements of the Board of Directors on Latest "Non-standard Audit Report"**

Applicable  Not Applicable

**V. Statements of the Board of Directors, the Board of Supervisors and the Independent Directors (if any) on the "Non-standard Audit Report" Issued by the Accounting Firm for the Reporting Period**

Applicable  Not Applicable

**VI. Statements of the Board of Directors on Any Change in Accounting Policies and Accounting Estimates or Any Correction of Significant Accounting Errors during Reporting Period**

Applicable  Not Applicable

**VII. Statements on Changes in Scope of Consolidated Financial Statements Compared with Financial Report for the Preceding Year**

Applicable  Not Applicable

During the reporting period, DRCO established 51 new subsidiaries and one sub-subsidiary company, which were included in the scope of consolidation from the date of establishment. The details are as follows:

Company name	Date of establishment	Whether included into the scope of consolidation
Xiamen DR Jewelry	April 25, 2022	Yes
Shenyang DR Jewelry	April 26, 2022	Yes
Tianjin DR Jewelry	April 27, 2022	Yes
Chengdu DR Jewelry	May 6, 2022	Yes
Kunming DR Jewelry	May 9, 2022	Yes
Shanghai DR Jewelry	May 11, 2022	Yes

Suzhou Zhongzuan DR Jewelry	May 13, 2022	Yes
Jinan DR Jewelry	May 13, 2022	Yes
Shenzhen DR Jewelry	May 17, 2022	Yes
Beijing Zhongzuan DR Jewelry	May 17, 2022	Yes
Suzhou DR Jewelry	May 18, 2022	Yes
Shenyang DR Jewelry Accessories	May 18, 2022	Yes
Hangzhou DR Jewelry	May 24, 2022	Yes
Beijing DR Jewelry	May 24, 2022	Yes
Wuhan DR Jewelry	May 25, 2022	Yes
Wuhan Zhongzuan DR Jewelry	May 25, 2022	Yes
Xi'an DR Jewelry	May 26, 2022	Yes
Chengdu DR True Love Jewelry	May 27, 2022	Yes
Ningbo DR Jewelry	May 27, 2022	Yes
Beijing Huazuan DR Jewelry	May 31, 2022	Yes
Chongqing DR Jewelry	June 7, 2022	Yes
Hangzhou DR True Love Jewelry	June 7, 2022	Yes
Henan DR Jewelry	June 14, 2022	Yes
Xi'an DR Jewelry Accessories	June 15, 2022	Yes
Zhengzhou DR Jewelry	June 16, 2022	Yes
Shenzhen DR Jewelry Accessories	June 17, 2022	Yes
Shenzhen DR Jewelry Ornament	June 22, 2022	Yes
Changsha DR Jewelry	June 24, 2022	Yes
Shanghai DR Jewelry Accessories	July 1, 2022	Yes
Shanghai DR Jewelry Sales	July 26, 2022	Yes
Zhoukou DR Jewelry	September 29, 2022	Yes
Yiwu DR Jewelry	September 29, 2022	Yes
Heze DR Jewelry	September 30, 2022	Yes
Dongguan DR Jewelry	October 9, 2022	Yes
Xining DR Jewelry	October 11, 2022	Yes
Linyi DR Jewelry	October 11, 2022	Yes
Yinchuan DR Jewelry	October 13, 2022	Yes
Weifang DR Jewelry	October 13, 2022	Yes
Nanchang DR Jewelry	October 13, 2022	Yes
Jining DR Jewelry	October 15, 2022	Yes

Mianyang DR Jewelry	October 17, 2022	Yes
Fuyang DR Jewelry	October 19, 2022	Yes
Shangqiu DR Jewelry	October 19, 2022	Yes
Urumqi DR Jewelry	October 26, 2022	Yes
Handan DR Jewelry	October 26, 2022	Yes
Baoding DR Jewelry	October 26, 2022	Yes
Guangzhou DR Jewelry	October 27, 2022	Yes
Guiyang DR Jewelry	October 31, 2022	Yes
Langfang DR Jewelry	October 31, 2022	Yes
Haoduo Diamond Zhizao (Shenzhen)	November 16, 2022	Yes
Foshan DR Jewelry	November 18, 2022	Yes
Jiaxing DR Jewelry	November 30, 2022	Yes

Note: All of the above are subsidiaries, except for Haoduo Diamond Zhizao (Shenzhen).

### VIII. Appointment and Dismissal of Accounting Firms

Currently appointed

Name of domestic accounting firm	Ernst & Young Hua Ming LLP (Special General Partnership)
Remuneration of domestic accounting firm (RMB0'000)	235
Number of consecutive years of audit by domestic accounting firm	6 years
Name of certified public accountants of domestic accounting firm	Liao Wenjia, Chen Huijin
Number of continuous years of audit services by certified public accountants of domestic accounting firm	6 years, 1 year

Whether to change the accounting firm

Yes No

Appointment of accounting firm for internal control audit, financial adviser or sponsor

Applicable  Not Applicable

### IX. Risk of Delisting after Disclosure of Annual Report

Applicable  Not Applicable

### X. Matters Relating to Bankruptcy and Reorganization

Applicable  Not Applicable

No bankruptcy and reorganization-related matters occurred during the reporting period.

## XI. Material Litigations and Arbitrations

Applicable  Not Applicable

Basic information on litigation (arbitration)	Amount involved (RMB0'000)	Whether estimated liabilities are formed	Progress of litigation (arbitration)	Ruling results and impacts	Enforcement of judgment	Date of disclosure	Index for inquiry
There were 60 cases that don't meet the criteria for disclosure of material litigation (arbitration) and in which DRCO is the plaintiff/claimant, including 56 claims brought by DRCO for infringement of intellectual property rights.	657.04	No	As of the end of the reporting period, 29 of the aforementioned cases had been closed and 31 were pending.	No impact	Cases closed at the end of the reporting period were executed in accordance with the judgments/rulings or settlement and mediation programs.		Not applicable
There are nine cases that don't meet the criteria for disclosure of material litigation (arbitration) and in which DRCO is the defendant/respondent.	57.97	No	By the end of the reporting period, the nine cases mentioned above had been closed.	No impact	Cases closed at the end of the reporting period were executed in accordance with the judgments/rulings or settlement and mediation programs.		Not applicable

## XII. Punishment and Rectification

Applicable  Not Applicable

There were no significant punishment or rectifications during the reporting period.

## XIII. Integrity of DRCO and Its Controlling Shareholders and Actual Controllers

Applicable  Not Applicable

## XIV. Material Connected Transactions

### 1. Connected transactions related to daily operation

Applicable  Not Applicable

There were no connected transactions related to daily operation during the reporting period.

## **2. Connected transactions related to the acquisition or disposal of assets or equity interests**

Applicable  Not Applicable

There were no connected transactions related to the acquisition or disposal of assets or equity interests during the reporting period.

## **3. Connected transactions relating to common external investments**

Applicable  Not Applicable

There were no connected transactions relating to common external investments during the reporting period.

## **4. Related creditor's right and debt transactions**

Applicable  Not Applicable

There were no related creditor's right and debt transactions during the reporting period.

## **5. Transactions with financial companies with connected relationship**

Applicable  Not Applicable

There were no deposits, loans, credit facilities or other financial operations between DRCO and connected parties or financial companies with connected relationships.

## **6. Transactions between financial companies controlled by DRCO and connected parties**

Applicable  Not Applicable

There were no deposits, loans, credit facilities or other financial operations between financial companies controlled by DRCO and connected parties of DRCO.

## **7. Other material connected transactions**

Applicable  Not Applicable

There were no other material connected transactions during the reporting period.

## **XV. Contracts of Significance and Their Execution**

### **1. Trust, contracting and leasing matters**

#### **(1) Trust**

Applicable  Not Applicable

There was no trust during the reporting period.

#### **(2) Contracting**

Applicable  Not Applicable

There was no contracting during the reporting period.

**(3) Leasing**

Applicable  Not Applicable

## Description of leasing matters

The offline self-operated stores of DRCO are all leased externally, and the depreciation of right-of-use assets and rentals not included in the measurement of lease liabilities arising from the leasing of such stores during the period amounted to RMB379.75 million, representing 52.08% of the net profit attributable to shareholders of the parent company for the period.

Projects whose gains/losses attributable to DRCO account for more than 10% of DRCO's total profit for the reporting period

Applicable Not Applicable

There were no projects whose gains/losses attributable to DRCO account for more than 10% of DRCO's total profit for the reporting period.

**2. Material guarantees**

☑Applicable ☐ Not Applicable

Unit: RMB0'000

External guarantees provided by DRCO and its subsidiaries (excluding guarantees for subsidiaries)										
Debtor	Date of disclosure of announcement on guarantee amount	Guarantee amount	Actual occurrence date	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Guarantee period	Whether fulfilled	Whether it is a guarantee for a related party
DRCO's guarantee for subsidiaries										
Debtor	Date of disclosure of announcement on guarantee amount	Guarantee amount	Actual occurrence date	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Guarantee period	Whether fulfilled	Whether a guarantee for a connected party
DR Group Company Limited		4,950		0	Joint and several liability	No	No	36 months	No	No
Haoduo Diamond (Shenzhen)	April 22, 2022	20,000	October 26, 2022	10,000	Joint and several liability	No	No	36 months	No	No
Beijing DR Jewelry	August 29, 2022	700		0	Joint and several liability	No	No		No	No
Beijing Huazuan DR Jewelry	August 29, 2022	350	September 1, 2022	169.96	Joint and several liability	No	No	7 months	No	No
Beijing Zhongzuan DR Jewelry	August 29, 2022	500		0	Joint and several liability	No	No		No	No
Chengdu DR	August 29, 2022	1,000		0	Joint and	No	No		No	No

True Love Jewelry					several liability					
Chengdu DR Jewelry	August 29, 2022	700		412.35	Joint and several liability	No	No	45 months	No	No
Hangzhou DR True Love Jewelry	August 29, 2022	1,000		0	Joint and several liability	No	No		No	No
Hangzhou DR Jewelry	August 29, 2022	550	October 1, 2022	162.74	Joint and several liability	No	No	12 months	No	No
Jinan DR Jewelry	August 29, 2022	500	September 1, 2022	396.49	Joint and several liability	No	No	31 months	No	No
Kunming DR Jewelry	August 29, 2022	500		0	Joint and several liability	No	No		No	No
Ningbo DR Jewelry	August 29, 2022	1,200	October 29, 2022	173.36	Joint and several liability	No	No	44 months	No	No
Shanghai DR Jewelry Sales	August 29, 2022	600		0	Joint and several liability	No	No		No	No
Shanghai DR Jewelry Accessories	August 29, 2022	500		0	Joint and several liability	No	No		No	No
Shanghai DR Jewelry	August 29, 2022	450	October 1, 2022	237.37	Joint and several liability	No	No	41 months	No	No
Shenzhen DR Jewelry	August 29, 2022	400		0	Joint and several	No	No		No	No

Ornament					liability					
Shenzhen DR Jewelry Accessories	August 29, 2022	400		0	Joint and several liability	No	No		No	No
Shenyang DR Jewelry Accessories	August 29, 2022	450	September 1, 2022	196.68	Joint and several liability	No	No	21 months	No	No
Shenyang DR Jewelry	August 29, 2022	400		0	Joint and several liability	No	No		No	No
Suzhou DR Jewelry	August 29, 2022	450		0	Joint and several liability	No	No		No	No
Suzhou Zhongzuan DR Jewelry	August 29, 2022	550		404.87	Joint and several liability	No	No	51 months	No	No
Tianjin DR Jewelry	August 29, 2022	750	December 1, 2022	319.64	Joint and several liability	No	No	17 months	No	No
Wuhan DR Jewelry	August 29, 2022	250		0	Joint and several liability	No	No		No	No
Wuhan Zhongzuan DR Jewelry	August 29, 2022	100		0	Joint and several liability	No	No		No	No
Xi'an DR Jewelry Accessories	August 29, 2022	450	October 1, 2022	161.14	Joint and several liability	No	No	35 months	No	No
Xi'an DR Jewelry	August 29, 2022	100		0	Joint and several liability	No	No		No	No

Changsha DR Jewelry	August 29, 2022	900	September 1, 2022	894.06	Joint and several liability	No	No	45 months	No	No
Changsha DR Jewelry	August 29, 2022	100	December 1, 2022	85.25	Joint and several liability	No	No	31 months	No	No
Henan DR Jewelry	August 29, 2022	300		0	Joint and several liability	No	No		No	No
Zhengzhou DR Jewelry	August 29, 2022	350		0	Joint and several liability	No	No		No	No
Chongqing DR Jewelry	August 29, 2022	500	September 1, 2022	431.92	Joint and several liability	No	No	21 months	No	No
Shenzhen DR Jewelry	October 28, 2022	200		64.64	Joint and several liability	No	No	7 months	No	No
Chongqing Darry Jewelry	October 28, 2022	530		476.66	Joint and several liability	No	No	40 months	No	No
Yiwu DR Jewelry	October 28, 2022	250		0	Joint and several liability	No	No		No	No
Zhoukou DR Jewelry	October 28, 2022	50		0	Joint and several liability	No	No		No	No
Xining DR Jewelry	October 28, 2022	100		0	Joint and several liability	No	No		No	No
Heze DR	October 28, 2022	100		0	Joint and several	No	No		No	No

Jewelry					liability					
Dongguan DR Jewelry	October 28, 2022	200		0	Joint and several liability	No	No		No	No
Nanchang DR Jewelry	October 28, 2022	180		0	Joint and several liability	No	No		No	No
Yinchuan DR Jewelry	October 28, 2022	160		0	Joint and several liability	No	No		No	No
Weifang DR Jewelry	October 28, 2022	300		0	Joint and several liability	No	No		No	No
Mianyang DR Jewelry	October 28, 2022	140		0	Joint and several liability	No	No		No	No
Shenzhen DR Jewelry Ornament	October 28, 2022	140		0	Joint and several liability	No	No		No	No
Shenyang DR Jewelry	October 28, 2022	150		0	Joint and several liability	No	No		No	No
Jining DR Jewelry	October 28, 2022	50		0	Joint and several liability	No	No		No	No
Linyi DR Jewelry	October 28, 2022	230		0	Joint and several liability	No	No		No	No
Fuyang DR Jewelry	October 28, 2022	120		0	Joint and several liability	No	No		No	No

Shangqiu DR Jewelry	October 28, 2022	100		0	Joint and several liability	No	No		No	No
Guangzhou DR Jewelry	December 31, 2022	1,180		0	Joint and several liability	No	No		No	No
Handan DR Jewelry	December 31, 2022	120		0	Joint and several liability	No	No		No	No
Langfang DR Jewelry	December 31, 2022	150		0	Joint and several liability	No	No		No	No
Urumqi DR Jewelry	December 31, 2022	100		0	Joint and several liability	No	No		No	No
Baoding DR Jewelry Sales	December 31, 2022	88		0	Joint and several liability	No	No		No	No
Guiyang DR Jewelry	December 31, 2022	162		0	Joint and several liability	No	No		No	No
Foshan DR Jewelry	December 31, 2022	100		0	Joint and several liability	No	No		No	No
Jiaxing DR Jewelry	December 31, 2022	100		0	Joint and several liability	No	No		No	No
Total guarantee amount approved for subsidiaries during the reporting period (B1)				40,000	Total actual guarantee amount for subsidiaries during the reporting period (B2)				14,587.13	
Total guarantee amount approved for subsidiaries as at the end of the reporting period				44,950	Balance of total actual guarantee amount for subsidiaries as at the end of the reporting period				14,587.13	

(B3)			(B4)							
Guarantees by subsidiaries for subsidiaries										
Debtor	Date of disclosure of announcement on guarantee amount	Guarantee amount	Actual occurrence date	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Guarantee period	Whether fulfilled	Whether a guarantee for a connected party
Total guarantee amount of DRCO (i.e., the sum of the first three items)										
Total amount of approved guarantee during the reporting period (A1 + B1 + C1)			40,000		Total actual guarantee amount incurred during the reporting period (A2 + B2 + C2)			14,587.13		
Total guarantee amount approved as at the end of the reporting period (A3 + B3 + C3)			44,950		Balance of total actual guarantee amount as at the end of the reporting period (A4 + B4 + C4)			14,587.13		
Total actual guarantee amount (i.e., A4 + B4 + C4) as a percentage of DRCO's net assets			2.14%							
Among them:										

Description of the use of composite guarantee

### 3. Entrusted cash and assets under management

#### (1) Entrusted wealth management

Applicable  Not Applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB0'000

Specific type	Source of funds for entrusted wealth management.	Entrusted wealth management amount	Outstanding balance	Amount overdue and not recovered	Provision for impairment of wealth management amount overdue and not recovered
Wealth management products of banks	Funds raised	349,100	289,500	0	0

Wealth management products of banks	Proprietary funds	301,117.95	301,117.95	0	0
Wealth management products of securities brokers	Proprietary funds	50,100	50,100	0	0
<b>Total</b>		<b>700,317.95</b>	<b>640,717.95</b>	<b>0</b>	<b>0</b>

Details of high-risk entrusted wealth management products featuring large amount, low safety and illiquidity

Applicable  Not Applicable

Entrusted wealth management not expected to recover the principal, or other circumstances that may lead to impairment

Applicable  Not Applicable

#### **(2) Entrusted loans**

Applicable  Not Applicable

There were no entrusted loans during the reporting period.

#### **4. Other contracts of significance**

Applicable  Not Applicable

There were no other contracts of significance during the reporting period.

#### **XVI. Other Important Matters**

Applicable  Not Applicable

There were no other significant matters that need to be explained during the reporting period.

#### **XVII. Significant Matters of DRCO's Subsidiaries**

Applicable  Not Applicable

## Part VII. Changes in Shares and Information of Shareholders

### I. Changes in Shares

#### 1. Changes in shares

Unit: Shares

	Before this change		Increase or decrease from the change (+,-)					After this change	
	Quantity	Percentage	Issue of new shares	Bonus share	Conversion of reserves	Other	Subtotal	Quantity	Percentage
1. Shares subject to selling restrictions	365,824,503	91.45%				5,824,503 <sup>-</sup>	5,824,503 <sup>-</sup>	360,000,000	90.00%
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,574,603	0.64%				2,574,603 <sup>-</sup>	2,574,603 <sup>-</sup>	0	0.00%
3. Shares held by other domestic entities	363,239,838	90.81%				3,239,838 <sup>-</sup>	3,239,838 <sup>-</sup>	360,000,000	90.00%
Including: shares held by domestic legal persons	363,236,573	90.81%				3,236,573 <sup>-</sup>	3,236,573 <sup>-</sup>	360,000,000	90.00%
Shares held by domestic natural persons	3,265	0.00%				-3,265	-3,265	0	0.00%
4. Shares held by foreign investors	10,062	0.00%				-10,062	-10,062	0	0.00%
Including: Shares held by overseas legal persons	10,062	0.00%				-10,062	-10,062	0	0.00%
Shares held by overseas natural persons									
2. Shares not subject to	34,185,497	8.55%				5,824,503	5,824,503	40,010,000	10.00%

selling restrictions									
1. RMB-denominated ordinary shares	34,185,497	8.55%				5,824,503	5,824,503	40,010,000	10.00%
2. Foreign shares listed domestically									
3. Foreign shares listed overseas									
4. Other									
III. Total shares	400,010,000	100.00%				0	0	400,010,000	100.00%

## Reasons for changes in shares

Applicable  Not Applicable

(1) During the initial public offering, DRCO placed 2,278,816 restricted shares to offline investors, which accounted for 0.5697% of DRCO's total share capital and were subject to a 6-month lock-up period. These restricted shares were already released on June 15, 2022. For details, please refer to the "Suggestive Announcement on the Release of Restricted Shares Placed to Offline Investors during Initial Public Offering " (Announcement No. 2022-032) published by DRCO on June 13, 2022 on www.cninfo.com.cn.

(2) During the initial public offering, DRCO placed 3,545,687 restricted shares to strategic investors, which accounted for 0.8864% of DRCO's total share capital and were subject to a 12-month lock-up period. These restricted shares were already released on December 15, 2022. For details, please refer to the "Suggestive Announcement on the Release of Restricted Shares Placed to Strategic Investors during Initial Public Offering " (Announcement No. 2022-067) published by DRCO on December 13, 2022 on www.cninfo.com.cn.

## Approval of changes in shares

Applicable  Not Applicable

## Transfer of changes in shares

Applicable  Not Applicable

Impact of changes in shares on financial indicators such as basic and diluted earnings per share and net asset value per share attributable to DRCO's holders of ordinary shares for the most recent year and the most recent period

Applicable  Not Applicable

Other disclosure deemed necessary by DRCO or required by securities regulatory authorities

Applicable  Not Applicable

## 2. Changes in restricted shares

Applicable  Not Applicable

Unit: shares

Name of shareholder	Number of restricted shares at the beginning of the period	Increase in the number of restricted shares during the period	Number of restricted shares released during the period	Number of restricted shares at end of period	Reason for selling restriction	Date of release
DR Investment (Zhuhai) Co., Ltd.	342,000,000			342,000,000	Pre-IPO shares	June 16, 2025
Gongqingcheng Wendi No.1 Investment Management Partnership (LP)	7,200,000			7,200,000	Pre-IPO shares	June 16, 2025
Gongqingcheng Wendi No.2 Investment Management Partnership (LP)	7,200,000			7,200,000	Pre-IPO shares	June 16, 2025
Gongqingcheng Wendi No.3 Investment Management Partnership (LP)	3,600,000			3,600,000	Pre-IPO shares	June 16, 2025
China Securities -CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan	978,952		978,952	0	Restricted shares for strategic investors	December 15, 2022
Zhuhai Runxin Zhirong No.1 Investment Partnership (LP)	2,566,735		2,566,735	0	Restricted shares for strategic investors	December 15, 2022
Restricted shares placed to offline investors during initial public offering	2,278,816		2,278,816	0	Restricted shares placed to offline investors during initial public offering	June 15, 2022

Total	365,824,503	0	5,824,503	360,000,000	--	--
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## II. Issuance and Listing of Securities

### 1. Issuance of securities (excluding preferred shares) during the reporting period

Applicable  Not Applicable

### 2. Changes in the total number of shares and shareholder structure of DRCO, and changes in the asset and liability structure of DRCO

Applicable  Not Applicable

### 3. Existing internal employee shares

Applicable  Not Applicable

## III. Shareholders and Actual Controllers

### 1. Number of shareholders and their shareholdings

Unit: shares

Total number of holders of ordinary shares as of the end of the reporting period	13,735	Total number of holders of ordinary shares as of the end of the previous month preceding the date of publication of the annual report	13,785	Total number of holders of preferred shares (if any) whose voting rights were restored at the end of the reporting period (see Note 9)	0	Total number of holders of preferred shares (if any) whose voting rights were restored at the end of the previous month preceding the date of	0	Total number of shareholders holding special voting shares (if any)	0
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							publication of the annual report (see Note 9)		
Shareholdings of shareholders holding 5% or more or of the top 10 shareholders									
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares held subject to selling restrictions	Number of shares held not subject to selling restrictions	Pledged, marked or frozen		
							Share status	Quantity	
DR Investment (Zhuhai) Co., Ltd.	Domestic non-state-owned legal person	85.50%	342,000,000	0	342,000,000	0			
Gongqingcheng Wendi No.1 Investment Management Partnership (LP)	Domestic non-state-owned legal person	1.80%	7,200,000	0	7,200,000	0			
Gongqingcheng Wendi No.2 Investment Management Partnership (LP)	Domestic non-state-owned legal person	1.80%	7,200,000	0	7,200,000	0			
Gongqingcheng Wendi No.3 Investment Management Partnership (LP)	Domestic non-state-owned legal person	0.90%	3,600,000	0	3,600,000	0			
Zhuhai Runxin Zhirong No.1	State-owned legal	0.60%	2,401,735	-165,000	0	2,401,735			

Investment Partnership (LP)	person							
Bank of China - Guotai Jiangyuan Selected Flexible Configuration Hybrid Securities Investment Fund	Other	0.24%	957,546	956,754	0	957,546		
China Securities - CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan	Other	0.20%	806,452	-172,500	0	806,452		
China Construction Bank - Huabao Eco-China Hybrid Securities Investment Fund	Other	0.17%	688,567	642,253	0	688,567		
China AMC - Social Security Fund 422 Portfolio	Other	0.13%	527,032	527,032	0	527,032		
Centennial Life Insurance Co., Ltd.- Traditional	Other	0.11%	450,927	450,927	0	450,927		

Insurance Products								
Any Strategic investor or general legal person becomes one of top 10 shareholder as a result of the placement of new shares (if any) (see Note 4)	<p>Zhuhai Runxin Zhirong No.1 Investment Partnership (LP) has become one of DRCO's top 10 shareholders as DRCO placed 2,566,735 shares that were locked up from December 15, 2021 to December 14, 2022. These shares were released and traded on the market from December 15, 2022.</p> <p>China Securities - CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan is a special asset management plan through which DRCO's senior management and core employees took part in the strategic allotment of DRCO's initial public offering. As a result, this asset management plan became one of DRCO's top 10 shareholders after DRCO placed 978,952 shares that were locked up from December 15, 2021 to December 14, 2022. These shares were released and traded on the market from December 15, 2022.</p>							
Relationship or acting in concert among the aforesaid shareholders	<p>Zhang Guotao and Lu Yiwen, the actual controllers of DRCO, hold a 100% stake in DR Investment (Zhuhai). DR Investment (Zhuhai), Gongqingcheng Wendi No.1 Investment Management Partnership (LP), Gongqingcheng Wendi No.2 Investment Management Partnership (LP) and Gongqingcheng Wendi No.3 Investment Management Partnership (LP) are all the enterprises controlled by Zhang Guotao, DRCO's actual controller. Other than that, DRCO is not aware of any connected relationship among the aforesaid shareholders, nor is DRCO aware of any parties acting in concert.</p>							
Whether the above-mentioned shareholders exercise voting rights via a proxy or as a proxy, or waive their voting rights	Not applicable.							
Whether top 10 shareholders have special accounts for share repurchase (if any) (see Note 10)	Not applicable.							
Shareholdings of the top 10 shareholders of unrestricted shares								
Name of shareholder	Number of unrestricted shares held at the end of the reporting period	Type of shares						
		Type of shares	Quantity					
Zhuhai Runxin Zhirong No.1 Investment Partnership (LP)	2,401,735	RMB-denominated ordinary shares	2,401,735					
Bank of China - Guotai Jiangyuan Selected Flexible Configuration Hybrid	957,546	RMB-denominated	957,546					

Securities Investment Fund		ordinary shares	
The shares allotted to China Securities - CMB - China Securities DR No. 1 Strategic Placement Collective Asset Management Plan	806,452	RMB-denominated ordinary shares	806,452
China Construction Bank - Huabao Eco-China Hybrid Securities Investment Fund	688,567	RMB-denominated ordinary shares	688,567
China AMC - Social Security Fund 422 Portfolio	527,032	RMB-denominated ordinary shares	527,032
Centennial Life Insurance Co., Ltd. - Traditional Insurance Products	450,927	RMB-denominated ordinary shares	450,927
Bank of China - Guotai Zhiyuan Advantage Hybrid Securities Investment Fund	428,303	RMB-denominated ordinary shares	428,303
China Construction Bank - Huabao Event-driven Hybrid Securities Investment Fund	401,557	RMB-denominated ordinary shares	401,557
China Merchants Xinnuo Life Insurance - Traditional	400,509	RMB-denominated ordinary shares	400,509
Bank of Communications - Zhonghai Quality Growth Securities Investment Fund	398,544	RMB-denominated ordinary shares	398,544
Relationship or acting in concert among the top 10 shareholders of unrestricted tradable shares, and between the top 10 shareholders of unrestricted tradable shares and the top 10 shareholders	DRCO is not aware of any connected relationship among the aforesaid top 10 shareholders of unrestricted shares, or between the top 10 shareholders of unrestricted shares and the top 10 shareholders, nor is DRCO aware of any parties acting in concert.		
Description of shareholders involved in margin financing and securities lending (if any) (see Note 5)	No.		

Does DRCO have weighted voting right arrangement

Applicable  Not Applicable

Whether DRCO's top 10 holders of ordinary shares and top 10 holders of unrestricted ordinary shares engaged in any repurchase agreement-based transaction during the reporting period.

Yes  No

DRCO's top 10 holders of ordinary shares and top 10 holders of unrestricted ordinary shares did not engage in any repurchase agreement-based transaction during the reporting period.

## 2. Controlling shareholders of DRCO

Nature of controlling shareholder: natural person

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge of the entity	Date of establishment	Organization code	Main business
DR Investment (Zhuhai) Co., Ltd.	Zhang Guotao	November 24, 2015	914403003587652274	General items: investment activities with own funds; business management consulting; information consulting services (excluding licensing information consulting services); marketing planning; corporate image planning; non-residential real estate leasing.
Shareholdings of other domestic and foreign listed companies controlled and participated in by the controlling shareholders during the reporting period	Not applicable.			

Changes in the controlling shareholder during the reporting period

Applicable  Not Applicable

There was no change in the controlling shareholder of DRCO during the reporting period.

### 3. DRCO's actual controller and its parties acting in concert

Nature of actual controller: domestic natural person

Type of actual controller: natural person

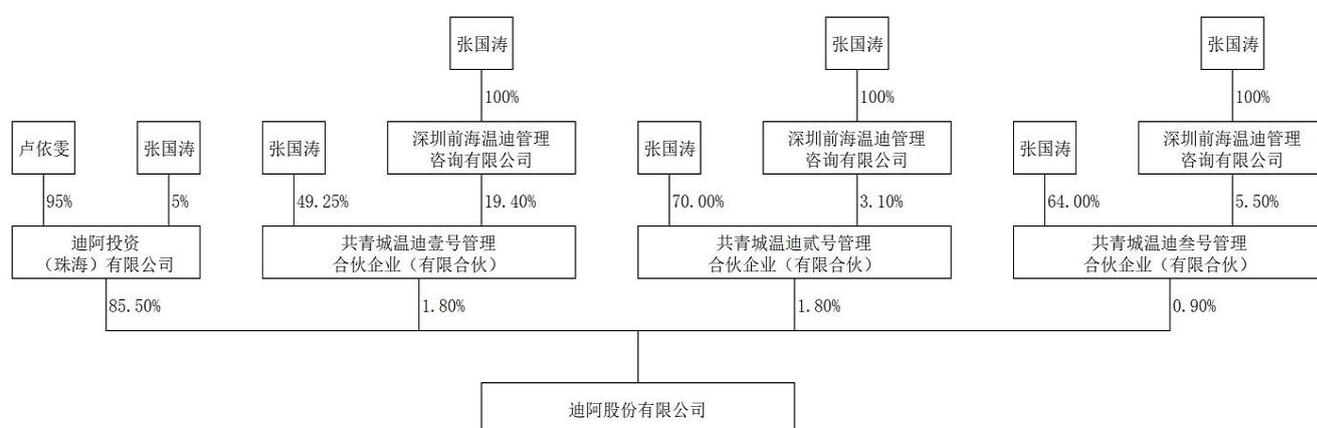
Name of actual controller	Relationship with actual controller	Nationality	Whether possess the right of abode in other countries or regions
Zhang Guotao	Himself	China	No
Lu Yiwen	Herself	China	No
Main occupation and position	Zhang Guotao is currently the Chairman and General Manager (President) of DRCO, and Lu Yiwen is currently the Director and Deputy General Manager (Vice President) of DRCO.		
Domestic and foreign listed companies held during the past 10 years	Not applicable.		

Change in actual controllers during the reporting period

Applicable  Not Applicable

There was no change in the actual controller of DRCO during the reporting period.

Ownership and controlling relationship between DRCO and controlling shareholder



注：上图为截至2022年12月31日的控制关系图

张国涛

Zhang Guotao

卢依雯

Lu Yiwen

深圳前海温迪管理咨询有限公司

Shenzhen Qianhai Wendi Management Consulting Co., Ltd.

迪阿投资(珠海)有限公司

DR Investment (Zhuhai) Co., Ltd.

共青城温迪壹号投资管理合伙企业(有限合伙)

Gongqingcheng Wendi No.1 Investment Management Partnership (LP)

共青城温迪贰号投资管理合伙企业(有限合伙)

Gongqingcheng Wendi No.2 Investment Management Partnership (LP)

共青城温迪叁号投资管理合伙企业(有限合伙) Gongqingcheng Wendi No.3 Investment Management Partnership (LP)

迪阿股份有限公司 DR Corporation Limited

注：上图为截止 2022 年 12 月 31 日的控制关系图 Note: The controlling relationship as of December 31, 2022

The actual controller controls DRCO through trust or other asset management means

Applicable  Not Applicable

**4. The cumulative shares pledged by the controlling shareholder or the largest shareholder of DRCO and its parties acting in concert accounts for 80% of the shareholdings they hold in DRCO**

Applicable  Not Applicable

**5. Other legal-person shareholders holding more than 10% of DRCO's shares**

Applicable  Not Applicable

**6. Reduction of restricted shares by controlling shareholders, actual controllers, restructuring parties and other commitment entities**

Applicable  Not Applicable

#### **IV. Implementation of Share Repurchase during Reporting Period**

Progress of the share repurchases

Applicable  Not Applicable

Progress of the reduction of share repurchased shares by means of call auction trading

Applicable  Not Applicable

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## **Part VIII. Information about Preferred Shares**

Applicable  Not Applicable

There are no preferred shares during the reporting period.

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## Part IX. Information about Bonds

Applicable  Not Applicable

## Part X. Financial Statement

### I. Auditor's report

Auditor's opinion	Unqualified opinion
Date of signing	April 26, 2023
Auditor	Ernst & Young Hua Ming LLP
Report document number	Ernst & Young Hua Ming (2023) Shen Zi No.61403707_H01
Chinese Certified Public Accountant	Liao Wenjia Chen Huijin

To the board of directors of DR Corporation Limited

#### (I) Opinion

We have audited the financial statements of DR Corporation Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2022, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2022, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

#### (II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### (III) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**(III) Key Audit Matters (continued)**

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<b>Key Audit Matters:</b>	<b>How our audit addressed the matter:</b>
<p data-bbox="223 555 497 589">Revenue recognition</p> <p data-bbox="223 622 798 790">For the year ended 31 December 2022, the consolidated revenue of DR Corporation Limited and its subsidiaries (hereinafter collectively referred to as the "Group") was RMB36.82 billion.</p> <p data-bbox="223 824 798 1059">The Group's current business model mainly includes: retail directly to the end consumers through offline direct-operated stores, e-commerce platforms and offline joint-operated stores. And the Group recognised revenue when the end customers received goods.</p> <p data-bbox="223 1093 798 1361">The total amount of revenue is material to the whole financial statements and there is a huge volume of revenue transactions. And there is an inherent risk that management may manipulate revenue to achieve specific purpose. Therefore, revenue recognition is identified as a key audit matter.</p> <p data-bbox="223 1395 798 1496">Further disclosure refers to Note V.27 Revenue from contracts with customers and Notes VII.32 Revenue.</p>	<p data-bbox="861 622 1391 689">Our procedures in relation to revenue recognition mainly included:</p> <ol data-bbox="861 723 1391 1910" style="list-style-type: none"> <li>1) Obtaining an understanding of the accounting policies of revenue recognition and reviewing main sales contract terms to assess the appropriateness of revenue recognition policies;</li> <li>2) Obtaining an understanding of the transaction process of revenue recognition and testing the relevant controls relating to the process for revenue recognition;</li> <li>3) Performing tests of details and inspecting customers' orders, orders from customers, receipt records, express delivery records, bank slips and invoices, etc.;</li> <li>4) Performing confirmation procedures for account receivables;</li> <li>5) Obtaining an understanding of the settlement method between the company and customers, inspecting the correspondence between cash receipts and receivables or contract liabilities, and verifying the bank statements;</li> <li>6) Performing revenue cut-off procedures and inspecting the outbound bill and express delivery records with the vouchers, and check whether it belongs to the same accounting period;</li> <li>7) Performing the analytical review procedures, including analysis of monthly revenue trend and analysis of revenue trends for different types of products., etc.</li> </ol>

**(III) Key Audit Matters** (continued)

<b>Key Audit Matters:</b>	<b>How our audit addressed the matter:</b>
<b>Existence of inventory and valuation of net realizable value</b>	
<p>As at 31 December 2022, the carrying amount of the Group's inventory was RMB676 million (net of allowance for inventories of RMB6.53 million).</p> <p>At the balance sheet date, inventories are stated at the lower of cost and net realisable value. The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes, which involves significant management estimation. Furthermore, the unit price of inventory is high and there is a higher inherent risk of easy theft and difficult to distinguish authenticity. Therefore, the existence of inventory and valuation of net realizable value is regarded as a key audit matter.</p> <p>Further disclosure refers to Note V.12 Inventories, V.31 Significant Accounting Judgments and Estimates and Notes VII.6 Inventories.</p>	<p>Our procedures in relation to existence of inventory and valuation of net realizable value mainly included:</p> <ol style="list-style-type: none"> <li>1) Obtaining an understanding of the processes of inventory procurement, stocktake and inventory provision and testing the relevant controls relating to the processes;</li> <li>2) Attending the annual physical inventory count, inspecting the Company's physical inventory count plan and observing whether the plan was implemented properly;</li> <li>3) Performing stocktaking procedure on a sample basis, checking the quantity and weight of the inventories, inspecting the certificates of the inventories and verifying the certificate number on the website of the appraisal department;</li> <li>4) Comparing the estimated selling price used in the net realizable value with the recent price in the market, comparing estimated selling expenses and related taxes with the actual selling expenses and tax expenses to assess the appropriateness;</li> <li>5) Retrospectively comparing provision for written-down of inventories in prior year and its movements in current year, and obtaining the list of defective and obsolete products to evaluate the reasonableness of the provision.</li> </ol>

**(IV) Other Information**

The management of the Company is responsible for other Information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

**(V) Responsibilities of the management and those charged with governance for the financial statements**

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**(VI) Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**(VI) Auditor's responsibilities for the audit of the financial statements (continued)**

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**(VI) Auditor's responsibilities for the audit of the financial statements** (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant:  
Liao Wenjia  
(Engagement Partner)

Chinese Certified Public Accountant:  
Chen Huijin

Beijing, the People's Republic of China

26 April 2023

## II. Financial statements

The notes to financial statements are expressed in RMB Yuan

### (I) Consolidated balance sheet

Preparer: DR Corporation Limited

31 December 2022

Currency: RMB Yuan

Account	<u>31 December 2022</u>	<u>31 December 2021</u>
Current assets		
Currency funds	521,904,818.30	4,741,510,453.45
Financial assets held for trading	5,609,891,931.68	1,824,097,569.32
Accounts receivable	84,478,911.52	174,880,676.50
Prepayments	74,226,434.15	60,177,173.86
Other receivables	8,184,551.61	10,279,311.35
Inventories	669,886,638.00	439,973,154.82
Current portion of non-current assets	106,967,867.16	192,823,541.46
Other current assets	73,454,925.61	7,149,060.31
	<u>7,148,996,078.03</u>	<u>7,450,890,941.07</u>
Total current assets		
Non-current assets		
Debt investments	794,553,996.36	218,585,379.05
Fixed assets	14,068,805.09	6,325,614.51
Right-of-use assets	590,506,167.36	429,297,028.76
Intangible assets	4,262,597.76	5,879,992.23
Long-term prepaid expenses	169,750,383.92	93,552,123.84
Deferred tax assets	8,191,216.36	4,765,789.39
Other non-current assets	85,419,135.39	59,887,281.39
	<u>1,666,752,302.24</u>	<u>818,293,209.17</u>
Total non-current assets		
Total assets	<u><u>8,815,748,380.27</u></u>	<u><u>8,269,184,150.24</u></u>

	<u>31 December 2021</u>	<u>31 December 2021</u>
Current liabilities		
Short-term borrowings	433,993,449.44	-
Notes payable	466,527,730.97	341,669,947.83
Accounts payable	86,880,869.77	113,777,232.26
Contract liabilities	126,705,661.82	210,146,744.15
Employee benefits payable	68,736,988.33	73,334,819.63
Tax payables	59,885,139.66	121,838,351.39
Other payables	102,563,944.81	72,156,628.68
Current portion of non-current liabilities	351,516,900.54	215,037,794.03
Other current liabilities	13,670,511.44	21,980,739.83
	<u>1,710,481,196.78</u>	<u>1,169,942,257.80</u>
Total current liabilities		
Non-current liabilities		
Lease liabilities	276,542,164.23	215,671,484.31
Provisions	16,925,816.91	12,388,588.98
Deferred income tax liabilities	8,752,998.39	4,606,117.98
	<u>302,220,979.53</u>	<u>232,666,191.27</u>
Total non-current liabilities		
Total liabilities	<u>2,012,702,176.31</u>	<u>1,402,608,449.07</u>
Equity		
Share capital	400,010,000.00	400,010,000.00
Capital reserves	4,459,777,716.81	4,459,216,399.61
Accumulated other comprehensive income	3,993,254.00	(2,693,984.92)
Surplus reserves	200,005,000.00	179,210,032.06
Retained earnings	1,739,260,233.15	1,830,833,254.42
	<u>6,803,046,203.96</u>	<u>6,866,575,701.17</u>
Total equity attributable to shareholders of the parent		
Total shareholders' equity	<u>6,803,046,203.96</u>	<u>6,866,575,701.17</u>
Total liabilities and shareholders' equity	<u>8,815,748,380.27</u>	<u>8,269,184,150.24</u>

Legal representative:Zhang Guotao Financial controller:Huang Shuirong Accounting supervisor:Huang Shuirong

## (II) Company balance sheet

Account	<b><u>31 December 2022</u></b>	Currency: RMB Yuan <b><u>31 December 2021</u></b>
<b>Current assets</b>		
Currency funds	219,622,694.30	4,643,894,952.31
Financial assets held for trading	5,223,419,915.33	1,560,924,654.25
Accounts receivable	84,598,028.47	217,326,141.49
Prepayments	66,437,718.07	55,601,722.43
Other receivables	270,167,536.46	234,208,768.92
Including: Dividend receivables	131,000,000.00	200,000,000.00
Inventories	668,791,848.75	432,072,513.48
Current portion of non-current assets	105,561,584.41	138,094,463.09
Other current assets	47,317,542.08	5,376,992.08
<b>Total current assets</b>	<b><u>6,685,916,867.87</u></b>	<b><u>7,287,500,208.05</u></b>
<b>Non-current assets</b>		
Debt investments	650,014,736.30	218,585,379.05
Long-term equity investments	207,935,477.77	65,435,477.77
Fixed assets	10,265,370.22	3,852,092.63
Right-of-use assets	535,960,869.57	410,760,027.49
Intangible assets	829,361.80	1,593,381.81
Long-term prepaid expenses	163,000,773.79	92,937,620.58
Deferred tax assets	5,365,472.60	2,920,318.50
Other non-current assets	81,537,896.29	56,839,315.20
<b>Total non-current assets</b>	<b><u>1,654,909,958.34</u></b>	<b><u>852,923,613.03</u></b>
<b>Total assets</b>	<b><u>8,340,826,826.21</u></b>	<b><u>8,140,423,821.08</u></b>

	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Current liabilities		
Notes payable	857,478,959.01	341,669,947.83
Accounts payable	273,460,934.14	387,374,488.91
Contract liabilities	122,481,130.76	207,625,421.20
Employee benefits payable	54,833,838.35	59,756,341.73
Tax and surcharges payables	18,231,870.82	84,564,180.48
Other payables	102,895,296.16	145,014,657.71
Current portion of non-current liabilities	311,609,516.04	208,660,151.45
Other current liabilities	13,211,410.16	21,817,780.17
Total current liabilities	<u>1,754,202,955.44</u>	<u>1,456,482,969.48</u>
Non-current liabilities		
Lease liabilities	255,560,231.06	196,766,214.31
Provisions	16,816,666.91	12,290,088.98
Deferred tax liabilities	8,396,162.20	3,729,201.71
Total non-current liabilities	<u>280,773,060.17</u>	<u>212,785,505.00</u>
Total liabilities	<u>2,034,976,015.61</u>	<u>1,669,268,474.48</u>
Equity		
Share capital	400,010,000.00	400,010,000.00
Capital reserves	4,459,777,944.48	4,459,216,627.28
Surplus reserve	200,005,000.00	179,210,032.06
Retained earnings	1,246,057,866.12	1,432,718,687.26
Total shareholders' equity	<u>6,305,850,810.60</u>	<u>6,471,155,346.60</u>
Total liabilities and shareholders' equity	<u><u>8,340,826,826.21</u></u>	<u><u>8,140,423,821.08</u></u>

## (III) Consolidated income statement

	<u>2022</u>	Currency: RMB Yuan <u>2021</u>
<b>Total Revenue</b>	3,681,574,412.68	4,622,729,780.48
Including: Revenue	3,681,574,412.68	4,622,729,780.48
<b>Total Costs</b>	2,939,356,663.12	3,069,217,618.02
Including: Cost of sales	1,112,272,466.29	1,380,551,157.67
Taxes and surcharges	201,359,894.62	255,187,611.06
Selling expenses	1,422,037,537.50	1,217,911,552.07
Administrative expenses	164,205,877.87	172,830,287.87
Research and development expenses	17,944,132.37	16,822,042.92
Finance expenses	21,536,754.47	25,914,966.43
Including: Interest expenses	23,830,354.96	12,331,582.92
Interest income	21,912,750.27	7,845,026.93
Add: Other income	39,777,673.00	33,062,670.73
Investment income <i>(loss is expressed with negative value)</i>	89,003,045.62	41,629,744.15
Fair value gains <i>(loss is expressed with negative value)</i>	39,294,362.36	17,567,673.68
Credit impairment losses <i>(loss is expressed with negative value)</i>	1,793,479.08	(2,379,194.21)
Impairment losses <i>(loss is expressed with negative value)</i>	(28,420,774.69)	(10,153,366.31)
Gains/(loss) on disposal of assets	1,244,949.25	(732,715.39)
Operating profits	884,910,484.18	1,632,506,975.11
Add: Non-operating income	1,237,090.46	1,158,823.31
Less: Non-operating expenses	768,433.58	2,057,244.49
Profit before tax	885,379,141.06	1,631,608,553.93
Less: Income tax expenses	156,137,194.39	329,850,761.92
Profit	<u>729,241,946.67</u>	<u>1,301,757,792.01</u>
Classified by continuity of operation		
Profit from continuing operations	729,241,946.67	1,301,757,792.01
Classified by ownership		
Profit attributable to shareholders of the parent company	729,241,946.67	1,301,768,398.86
Loss attributable to non-controlling interests	<u>-</u>	<u>(10,606.85)</u>

	<u>2022</u>	<u>2021</u>
Other comprehensive income/(loss), net of tax	6,687,238.92	(1,439,296.79)
Other comprehensive income/(loss), net of tax attributable to owners of the parent	<u>6,687,238.92</u>	<u>(1,439,296.79)</u>
Other comprehensive income that may be reclassified to profit or loss	6,687,238.92	(1,439,296.79)
Exchange differences on translation of foreign currency financial statements	<u>6,687,238.92</u>	<u>(1,439,296.79)</u>
Total comprehensive income	<u>735,929,185.59</u>	<u>1,300,318,495.22</u>
Total comprehensive income attributable to shareholders of the parent company	735,929,185.59	1,300,329,102.07
Total comprehensive income attributable to non-controlling interests	-	(10,606.85)
Earnings per share		
Basic earnings per share	<u>1.82</u>	<u>3.62</u>
Diluted earnings per share	<u>1.82</u>	<u>3.62</u>

Legal representative:Zhang Guotao Financial controller:Huang Shuirong Accounting supervisor:Huang Shuirong

## (IV) Company income statement

	<b>2022</b>	Currency: RMB Yuan <b>2021</b>
Revenue	3,534,932,354.30	4,417,870,859.56
Less: Cost of sales	1,092,567,667.81	1,386,106,265.88
Taxes and surcharges	194,895,366.29	248,207,290.51
Selling expenses	1,515,688,864.56	1,153,400,250.19
Administrative expenses	624,911,561.61	825,777,804.26
Research and development expenses	71,920.44	144,727.20
Finance expenses	17,360,792.79	25,400,867.38
Including: Interest expenses	19,305,582.75	11,705,018.34
Interest income	19,773,708.70	7,616,647.67
Add: Other income	22,208,183.65	8,530,733.48
Investment income <i>(loss is expressed with negative value)</i>	560,828,577.30	531,078,472.73
Fair value gains <i>(loss is expressed with negative value)</i>	40,995,261.08	15,952,456.41
Credit impairment losses <i>(loss is expressed with negative value)</i>	1,836,341.83	(2,379,194.21)
Impairment losses of assets <i>(loss is expressed with negative value)</i>	(28,017,790.85)	(4,741,845.92)
Gains/(Loss) on disposal of non-current assets	1,276,888.55	(732,715.39)
Operating profit	688,563,642.36	1,326,541,561.24
Add: Non-operating income	1,150,898.78	531,648.31
Less: Non-operating expenses	627,988.18	2,053,634.32
Profit before income taxes	689,086,552.96	1,325,019,575.23
Less: Income tax expenses	54,932,406.16	208,271,624.63
Profit	634,154,146.80	1,116,747,950.60
Profit from continuing operations	634,154,146.80	1,116,747,950.60
Total comprehensive income	634,154,146.80	1,116,747,950.60

## (v) Consolidated statement of cash flows

Currency: RMB Yuan

	<u>2022</u>	<u>2021</u>
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from the sale of goods and the rendering of services	3,968,278,134.60	4,909,484,433.62
Receipts of tax and surcharges refunds	16,421,754.59	21,840,823.43
Other cash receipts relating to operating activities:	<u>62,655,254.90</u>	<u>25,387,020.28</u>
Total cash inflows from operating activities	<u>4,047,355,144.09</u>	<u>4,956,712,277.33</u>
Cash payments for goods and services	1,406,475,658.87	1,525,942,725.15
Cash payments to and on behalf of employees	573,104,253.10	457,826,157.72
Payments of all types taxes and surcharges	621,952,499.15	800,925,900.53
Other cash payments relating to operating activities	<u>627,811,620.73</u>	<u>627,804,643.22</u>
Total cash outflows from operating activities	<u>3,229,344,031.85</u>	<u>3,412,499,426.62</u>
Net cash flows from operating activities	<u>818,011,112.24</u>	<u>1,544,212,850.71</u>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash receipts from returns of investments	5,328,462,790.68	2,331,900,000.00
Cash receipts from returns on investments	83,386,608.45	29,563,244.92
Net cash receipts from disposal of fixed assets and other long-term assets	<u>282,732.40</u>	<u>487,127.07</u>
Total cash inflows from investing activities	<u>5,412,132,131.53</u>	<u>2,361,950,371.99</u>
Cash payments to acquire fixed assets, intangible assets and other long-term assets	155,426,398.41	103,755,422.85
Cash payments for investments	<u>9,569,751,822.21</u>	<u>3,428,812,666.67</u>
Total cash outflows from investing activities	<u>9,725,178,220.62</u>	<u>3,532,568,089.52</u>
Net cash flows from investing activities	<u>(4,313,046,089.09)</u>	<u>(1,170,617,717.53)</u>

	<b><u>2022</u></b>	<b><u>2021</u></b>
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from investments by others	-	4,460,725,283.02
Cash receipts from borrowings	525,418,991.66	-
Other cash receipts relating to financing activities	10,700,723.00	5,483,723.60
Total cash inflows from financing activities	536,119,714.66	4,466,209,006.62
Cash repayments for debts	94,320,809.11	-
Cash payments for distribution of dividends or profit and interest expenses	800,397,477.89	-
Other cash payments relating to financing activities	371,403,624.18	277,845,213.25
Total cash outflows from financing activities	<u>1,266,121,911.18</u>	<u>277,845,213.25</u>
Net cash flows from financing activities	<u>(730,002,196.52)</u>	<u>4,188,363,793.37</u>
IV.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>5,151,750.54</u>	<u>(1,944,316.29)</u>
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,219,885,422.83)	4,560,014,610.26
Add: Cash and cash equivalents at beginning of year	<u>4,741,510,453.45</u>	<u>181,495,843.19</u>
VI.CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>521,625,030.62</u></u>	<u><u>4,741,510,453.45</u></u>

## (VI) Company statement of cash flows

Currency: RMB Yuan

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from the sale of goods and the rendering of services	3,991,469,167.77	4,898,129,642.04
Receipts of tax and surcharges refunds	56,556.06	-
Other cash receipts relating to operating activities:	<u>265,606,344.91</u>	<u>46,238,064.27</u>
Total cash inflows from operating activities	<u>4,257,132,068.74</u>	<u>4,944,367,706.31</u>
Cash payments for goods and services	1,495,604,940.61	1,523,908,136.40
Cash payments to and on behalf of employees	484,718,641.12	396,345,267.90
Payments of all types of taxes and surcharges	474,368,886.96	634,431,986.90
Other cash payments relating to operating activities	<u>1,405,354,651.27</u>	<u>1,247,967,092.93</u>
Total cash outflows from operating activities	<u>3,860,047,119.96</u>	<u>3,802,652,484.13</u>
Net cash flows from operating activities	<u>397,084,948.78</u>	<u>1,141,715,222.18</u>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash receipts from returns of investments	4,888,931,144.07	1,854,000,000.00
Cash receipts from returns on investments	622,149,442.68	390,847,204.33
Net cash received from disposal of fixed assets and other long-term assets	<u>282,732.40</u>	<u>487,127.07</u>
Total cash inflows from investing activities	<u>5,511,363,319.15</u>	<u>2,245,334,331.40</u>
Cash payments to acquire fixed assets, intangible assets and other long-term assets	150,904,158.20	92,542,519.51
Cash payments for investments	<u>9,041,789,749.98</u>	<u>2,948,048,144.44</u>
Total cash outflows from investing activities	<u>9,192,693,908.18</u>	<u>3,040,590,663.95</u>
Net cash flows from investing activities	<u>(3,681,330,589.03)</u>	<u>(795,256,332.55)</u>

	<u>2022</u>	<u>2021</u>
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from investments by others	-	4,460,725,283.02
Other cash receipts relating to financing activities	<u>10,700,723.00</u>	<u>5,483,723.60</u>
Total cash inflows from financing activities	<u>10,700,723.00</u>	<u>4,466,209,006.62</u>
Cash payments for distribution of dividends or profit and interest expenses	800,020,000.00	-
Other cash payments relating to financing activities	<u>350,987,128.44</u>	<u>271,106,564.48</u>
Total cash outflows from financing activities	<u>1,151,007,128.44</u>	<u>271,106,564.48</u>
Net cash flows from financing activities	<u>(1,140,306,405.44)</u>	<u>4,195,102,442.14</u>
IV.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	<u>(115.68)</u>
V. Net Increase in Cash and Cash Equivalents	(4,424,552,045.69)	4,541,561,216.09
Add: Cash and cash equivalents at beginning of year	<u>4,643,894,952.31</u>	<u>102,333,736.22</u>
VI.Closing balance of cash and cash equivalents	<u><u>219,342,906.62</u></u>	<u><u>4,643,894,952.31</u></u>

## (VII) Consolidated statement of changes in equity

**Year ended 31 December 2022**

		Attributable to shareholders of the Company					Minority interests	Total shareholders' equity	
		Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Retained earnings	Subtotal		
I.	Balance at end of prior year and beginning of year	400,010,000.00	4,459,216,399.61	(2,693,984.92)	179,210,032.06	1,830,833,254.42	6,866,575,701.17	-	6,866,575,701.17
II.	Changes for the year								
1.	Total comprehensive income	-	-	6,687,238.92	-	729,241,946.67	735,929,185.59	-	735,929,185.59
2.	Owners' contributions and reduction in capital								
	Amount of share-based payments recognised in equity	-	561,317.20	-	-	-	561,317.20	-	561,317.20
3.	'Profit distribution								
	Appropriation to surplus reserve	-	-	-	20,794,967.94	(20,794,967.94)	-	-	-
	Distribution to shareholders	-	-	-	-	(800,020,000.00)	(800,020,000.00)	-	(800,020,000.00)
III.	Balance at end of year	400,010,000.00	4,459,777,716.81	3,993,254.00	200,005,000.00	1,739,260,233.15	6,803,046,203.96	-	6,803,046,203.96

Currency: RMB Yuan

**Year ended 31 December 2021**

		Attributable to shareholders of the Company					Minority interests	Currency: RMB Yuan Total shareholders' equity	
		Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Retained earnings	Subtotal		
I.	Balance at end of prior year and beginning of year	360,000,000.00	51,332,087.41	(1,254,688.13)	67,535,237.00	640,739,650.62	1,118,352,286.90	45,856.95	1,118,398,143.85
II.	Changes for the year								
1.	Total comprehensive income	-	-	(1,439,296.79)	-	1,301,768,398.86	1,300,329,102.07	(10,606.85)	1,300,318,495.22
2.	Owners' contributions and reduction in capital								
(1)	Capital contributions by owners	40,010,000.00	4,403,792,844.63	-	-	-	4,443,802,844.63	(35,250.10)	4,443,767,594.53
(2)	Amount of share-based payments recognised in equity	-	4,091,695.24	-	-	-	4,091,695.24	-	4,091,695.24
3.	'Profit distribution								
(1)	Appropriation to surplus reserve	-	-	-	111,674,795.06	(111,674,795.06)	-	-	-
4.	Transfer within equity								
(1)	Acquire non-controlling interests	-	(227.67)	-	-	-	(227.67)	-	(227.67)
III.	Balance at end of year	400,010,000.00	4,459,216,399.61	(2,693,984.92)	179,210,032.06	1,830,833,254.42	6,866,575,701.17	-	6,866,575,701.17

## (VIII) Company statement of changes in shareholders' equity

**Year ended 31 December 2022**

	Share capital	Capital reserves	Surplus reserves	Retained earnings	Currency: RMB Yuan Total shareholders' equity
I. Balance at end of prior year and beginning of year	<u>400,010,000.00</u>	<u>4,459,216,627.28</u>	<u>179,210,032.06</u>	<u>1,432,718,687.26</u>	<u>6,471,155,346.60</u>
II. Changes for the year					
1. Total comprehensive income	-	-	-	634,154,146.80	634,154,146.80
(1) Amount of share-based payments recognised in equity	-	561,317.20	-	-	561,317.20
2. Profit distribution					
(1) Appropriation to surplus reserve	-	-	20,794,967.94	(20,794,967.94)	-
(2) Distribution to shareholders	-	-	-	(800,020,000.00)	(800,020,000.00)
III. Balance at end of year	<u>400,010,000.00</u>	<u>4,459,777,944.48</u>	<u>200,005,000.00</u>	<u>1,246,057,866.12</u>	<u>6,305,850,810.60</u>

**Year ended 31 December 2021**

	Share capital	Capital reserves	Surplus reserves	Retained earnings	Currency: RMB Yuan Total shareholders' equity
I. Balance at end of prior year and beginning of year	<u>360,000,000.00</u>	<u>51,332,087.41</u>	<u>67,535,237.00</u>	<u>427,645,531.72</u>	<u>906,512,856.13</u>
II. Changes for the year					
1. Total comprehensive income	-	-	-	1,116,747,950.60	1,116,747,950.60
2. Owners' contributions and reductions in capital					
(1) Shareholders' contributions and reduction in capital	40,010,000.00	4,403,792,844.63	-	-	4,443,802,844.63
(2) Amount of share-based payments recognised in equity	-	4,091,695.24	-	-	4,091,695.24
3. Profit distribution					
(1) Appropriation to surplus reserve	-	-	111,674,795.06	(111,674,795.06)	-
III. Balance at end of year	<u>400,010,000.00</u>	<u>4,459,216,627.28</u>	<u>179,210,032.06</u>	<u>1,432,718,687.26</u>	<u>6,471,155,346.60</u>

### III. General information

DR Corporation Limited(the "Company") is a limited liability company registered in Shenzhen, Guangdong Province of the People's Republic of China. The Company was established on April 8, 2010 with a term of perpetual operation. The Company is registered in Room 306, Wing Building of Luohu Investment Holding Building, No. 112 Qingshuihe 1st Road, Qingshuihe Community, Qingshuihe Street, Luohu District, Shenzhen.

The Company was established by Zhang Guotao and Jin Chong who contributed a capital of RMB 15,300 and RMB 14,700 with proportion of contribution of 51% and 49% respectively. The addition of capital has been verified by Shenzhen Zhengsheng Accounting Firm that issued a "Capital Verification Report" (Shenzhengsheng (Internal) Yan Zi [2010] No. 376). The legal representative is Zhang Guotao, and the business scope is marketing planning. The company obtained the name pre-approval notice (No. 2583011 [2010]) from Shenzhen Administration For Market Regulation and the approved name was Shenzhen Yinsaite Enterprise Management Consulting Co., Ltd.

According to the resolution of the shareholders' meeting on July 11, 2011, Jin Chong transferred his 49% equity interest to Lu Yiwen. On July 20, 2011, the shareholders' meeting of Shenzhen Yinsaite Enterprise Management Consulting Co., Ltd. made a resolution to approve the change of the Company's name to "Shenzhen Darry Jewelry Co., Ltd." ("Darry Corporation"), and the business scope was changed to "purchase and sale of jewelry, diamonds, platinum, gold, silver and related accessories, cosmetics, perfumes, leather products, clothing, shoes and hats; domestic trade; import and export of goods and technology." On July 28, 2011, the Company completed the corresponding industrial and commercial change registration process at Shenzhen Administration For Market Regulation for the equity transfer and the change of the Company's name and business scope.

According to the resolution of the shareholders' meeting on September 5, 2011, the Company applied to Shenzhen Administration For Market Regulation on September 6, 2011 for approval of increasing the registered capital from RMB 30,000 to RMB 1 million, and the new registered capital was RMB 970,000, of which Zhang Guotao subscribed and paid RMB 494,700, Lu Yiwen subscribed and paid RMB 475,300. The proportion of contribution of Zhang Guotao and Lu Yiwen were 51% and 49% respectively. The addition of capital has been verified by Ernst & Young Hua Ming LLP that issued a "Capital Verification Report" (Ernst & Young Hua Ming (2020) Yan Zi No. 61403707\_H01).

According to the resolution of the shareholders' meeting on December 1, 2014, the Company applied to Shenzhen Administration For Market Regulation on December 10, 2014 for approval of increasing the registered capital from RMB 1 million to RMB 100 million, of which Zhang Guotao subscribed RMB 50.49 million and Lu Yiwen subscribed RMB 48.51 million. On April 1, 2015, April 2, 2015 and June 8, 2015, Zhang Guotao paid capital contributions of RMB5 million, RMB5 million and RMB20 million respectively, and the paid in capital of the Company after these series of capital contribution was RMB31 million, and the proportion of subscribed capital of Zhang Guotao and Lu Yiwen remained unchange. Pursuant to the Company's change decision on December 18, 2015, Zhang Guotao and Lu Yiwen transferred their 51% and 49% equity interest in the Company to DR Investment (Zhuhai) Co., Ltd. ("DR Investment"), and on January 29, 2016 and November 7, 2016, DR Investment paid capital contributions of RMB18 million and RMB51 million, respectively, and the paid in capital of the Company after these series of capital contribution was RMB100 million. The addition of capital has been verified by Ernst & Young Hua Ming LLP that issued a "Capital Verification Report"(Ernst & Young Hua Ming (2020) Yan Zi No. 61403707\_H02).

### III. General information (continued)

According to the resolution of the shareholders' meeting on November 22, 2017, DR Investment transferred its 5% equity interest in the Company to Gongqingcheng Wendi No.1 Investment Management Partnership (LP) ("Wendi No. 1"), Gongqingcheng Wendi No.2 Investment Management Partnership (LP) ("Wendi No. 2") and Gongqingcheng Wendi No.3 Investment Management Partnership (LP) ("Wendi No. 3") respectively. On November 24, 2017, the above equity transfer was completed and the three limited partnerships held 2%, 2% and 1% of the equity interests of the Company respectively.

According to the resolution of the shareholders' meeting of the Company on June 19, 2019, the Company changed from a limited company to a corporation limited company based on the audited net assets. The Company's name changed from Shenzhen Darry Jewelry Co., Ltd. to DR Corporation Limited and the shareholding ratio of each shareholder before and after the change remained unchanged. As of February 28, 2019, the adjusted net assets of the limited company were RMB396,540,157.74, of which RMB360,000,000.00 was converted into 360,000,000.00 ordinary shares of the corporation limited company. The registered share capital was changed to RMB360,000,000.00, with a par value of RMB1 per share. The portion of net assets exceeding the share capital of RMB 36,540,157.74 was accounted as "capital reserve" and shared by all shareholders.

In accordance with the approval of the Listing Committee of the Growth Enterprise Market of the Shenzhen Stock Exchange and the CSRC's "Approval on Agreeing the Registration of DR Corporation Limited for Initial Public Offering of Shares (Zheng Jian Xu Ke No. [2021] 3043)" on September 16, 2021, the Company conducted an initial public offering of 40,001,000 ordinary shares (A shares) with an issue price of RMB116.88 per share. The additional registered capital from the IPO has been verified by Ernst & Young Hua Ming LLP that issued a "Capital Verification Report" (Ernst & Young Hua Ming (2021) Yan Zi No. 61403707\_H01).. The Company was listed on the Shenzhen Stock Exchange on December 15, 2021.

The parent and ultimate parent company of the Group is DR Investment (Zhuhai) Co., Ltd., which is incorporated in the People's Republic of China.

The financial statements were approved by board of directors on 26 April 2023.

The scope of consolidation in the consolidated financial statements is determined on the basis of control. See Note VIII for changes in the current year.

#### **IV. Basis of preparation of the financial statements**

(I) Basic of preparation

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the “MOF”) (collectively referred to as “ASBEs”).

(II) Going concern

The financial statements have been prepared on a going concern basis.

#### **V. Significant accounting policies and accounting estimates**

The Group has formulated specific accounting policies and accounting estimates based on the characteristics of actual operation, which are mainly reflected in impairment allowance for accounts receivable, inventory valuation method, amortization of long-term prepaid expenses, depreciation of right-of-use assets, impairment of long-term assets, revenue recognition and measurement, etc.

##### **1.Statement of compliance with Accounting Standards for Business Enterprises**

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2022, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

##### **2.Accounting year**

The Group has adopted the calendar year as its accounting year , from 1 January to 31 December.

##### **3.Business Cycle**

The Group has adopted a normal operating cycle of 12 months as the criterion for classifying the liquidity of its assets and liabilities.

##### **4.Functional currency**

The Company’s functional and presentation currency is Renminbi (“RMB”). The currency unit is RMB Yuan unless otherwise stated .

Each subsidiary of the Group determines its own functional currency based on the primary economic environment in which it operates. In preparation of the financial statements, their functional currencies are translated into RMB.

## V. Significant accounting policies and accounting estimates (continued)

### 5. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

#### (I) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to the capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

#### (II) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before and after the combination.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

## **V. Significant accounting policies and accounting estimates (continued)**

### **5. Business combinations (continued)**

#### (II) Business combinations not involving entities under common control (continued)

Goodwill is initially recognized and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognizes the remaining difference in profit or loss.

### **6. Consolidated financial statements**

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the financial statements of subsidiaries are prepared for the same accounting year as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders equity of the subsidiary, the excess amounts are still allocated against minority interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

## **V. Significant accounting policies and accounting estimates (continued)**

### **6. Consolidated financial statements (continued)**

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

### **7. Cash and cash equivalents**

Cash comprises the Group's cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

### **8. Foreign currency transactions and foreign currency translation**

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions/average exchange rates for the period in which the transactions occur/weighted average exchange rates for the period in which the transactions occur. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

## V. Significant accounting policies and accounting estimates (continued)

### 8. Foreign currency transactions and foreign currency translation (continued)

For foreign operations, the Group translates their functional currency amounts into RMB when preparing the financial statements as follows: as at the balance sheet date, the assets and liabilities are translated using the spot exchange rate at the balance sheet date; and equity items other than “unappropriated profit” are translated at the spot exchange rates at the dates of transactions; revenue and expense items in profit or loss are translated using the average exchange rates for the period during which the transactions occur. The resulting exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the spot exchange rates prevailing on the dates of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

### 9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (1) Recognition and derecognition

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i. e., removed from the Group’s consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

## V. Significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (continued)

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

#### (II) Classification and measurement of financial assets

The Group's financial assets are classified at initial recognition into financial assets at fair value through profit or loss and financial assets at amortised cost, based on the Group's business model for managing financial assets by enterprises and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

#### *Debt investments measured at amortised cost*

The Group measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of such financial assets is recognised using the effective interest method. Gains and losses are recognised in current profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through profit or loss*

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss

## V. Significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (continued)

#### (III) Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities. Transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities measured at amortized cost*

After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

#### (IV) Impairment of financial instruments

Based on expected credit losses, the Group undertakes impairment treatment and recognises loss provisions for financial assets measured at amortised cost.

Credit losses represent the difference between all contractual cash flows receivable by the Group under a contract and all cash flows expected to be collected, discounted at the original effective interest rate, being the present value of the entire cash shortfall. Of this amount, financial assets purchased or originated by the Group that are credit impaired should be discounted at the credit-adjusted effective interest rate of the financial assets.

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach to recognize a loss allowance based on lifetime ECLs.

For financial assets other than above measured by the simplified approach, the Group evaluates at each balance sheet date whether the credit risk has significantly increased since initial recognition. If the credit risk has not significantly increased since initial recognition (stage 1), the Group shall measure loss provisions based on the amount of expected credit losses for the next 12 months and calculate interest income according to the book value and effective interest rate; if the credit risk has significantly increased since initial recognition but are not credit-impaired (stage2), the Group shall measure loss provisions based on the amount of expected credit losses for the entire lifetime and calculate interest income according to the book value and effective interest rate; if the credit impairment has occurred after initial recognition (stage 3), the Group shall measure loss provisions based on the amount of expected credit losses for the entire lifetime and calculate interest income at the amortised cost and effective interest rate. At the balance sheet date, if the Group only has financial instruments with lower credit risk, the Group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition.

The Group evaluates the expected credit losses of financial instruments on an individual and portfolio basis. The Group takes into account the credit risk characteristics of different customers and evaluates the expected credit losses of relevant financial instruments on the basis of the aging portfolio.

For the Group's disclosure of the criteria for determining the significant increase in credit risk and the definition of assets that have incurred credit impairment, please refer to Note X.

## **V. Significant accounting policies and accounting estimates (continued)**

### **9. Financial instruments (continued)**

The Group directly reduces the carrying amount of financial assets when the Group no longer reasonably expects that the contractual cash flow of such financial assets may be fully or partially recoverable.

#### (V) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (VI) Transfers of financial assets

A financial asset is derecognized when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognized when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognizes the financial asset and recognizes the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognize the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability.

The Company complies with the disclosure requirements of the "Jewellery Related Business" in the "Self-regulatory Guidelines for Listed Companies on Shenzhen Stock Exchange No. 3 - Disclosure of Industry Information".

### **10. Trade receivables**

The method of determining expected credit losses on trade receivables and related accounting treatment can be referred to the policies relating to financial instruments.

### **11. Other receivables**

The method of determining expected credit losses on other receivables and the accounting treatment can be referred to the accounting policies regarding financial instruments.

## **V. Significant accounting policies and accounting estimates (continued)**

### **12. Inventories**

The Company is required to comply with the disclosure requirements for jewelry-related business specified in the *Self-disciplinary Supervision Guidelines No.3 for Companies Listed on Shenzhen Stock Exchange - Industry Information Disclosure*.

The Company is required to comply with the disclosure requirements for retail industry specified in the *Self-disciplinary Supervision Guidelines No.3 for Companies Listed on Shenzhen Stock Exchange - Industry Information Disclosure*.

Inventory includes raw materials, work in process, finished products, turnover materials, shipped commodities and commissioned processing materials.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, manufacture overhead and other cost. Turnover materials include low value consumables and packing materials, which are amortised using the immediate write-off method.

The perpetual inventory system is maintained for the stock system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Inventories are written down item by item.

### **13. Contract assets**

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the fulfilment of performance obligations and payments from customers. The Group presents contract assets and contract liabilities under the same contract on a net basis after offsetting them against each other.

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer, and that right is conditioned on something other than the passage of time.

The method of determining expected credit losses on contract assets and the accounting treatment can be referred to the policies relating to financial instruments.

### **14. Debt investments**

The method of determining expected credit losses on debt investments and the accounting treatment can be referred to the relevant policies on financial instruments.

## V. Significant accounting policies and accounting estimates (continued)

### 15. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries.

The long-term equity investment that the company can control the investee is accounted by cost method in individual financial statements of the company. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the number of the investor's returns.

Under the cost method, a long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss.

On disposal of a long-term equity investment, the difference between the carrying amount and the actual acquisition price is recognized in profit or loss for the period.

### 16. Fixed assets

#### (I) Recognition

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and makes adjustments if necessary.

#### (II) Depreciation method

Category	Depreciation method	Useful life	Estimated net residual value rate(%)	Annual depreciation rate (%)
Transportation facilities	Straight-line method	4 years	5.00	23.75
Office equipment and other facilities	Straight-line method	3 to 5 years	5.00	19.00-31.67

## V. Significant accounting policies and accounting estimates (continued)

## 17. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have been incurred;
- (2) borrowing costs have been incurred; and
- (3) activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss.

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows:

- (1) where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; or
- (2) where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

## **V. Significant accounting policies and accounting estimates (continued)**

### **18. Right-of-use assets**

The Group's right-of-use assets consist primarily of buildings and structures.

At the commencement date of the lease term, the Group recognizes its right to use the leased asset during the lease term as a right-of-use asset and is initially measured at cost. Right-of-use asset costs include: the initial measured amount of the lease liability; The amount of lease payments paid on or before the start date of the lease period, if there is a lease incentive, deduct the amount related to the lease incentive already enjoyed; initial direct costs incurred by the lessee; The costs expected of the lessee to incur to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the terms of the lease. If the Group remeasures the lease liability due to changes in the amount of lease payments, the carrying amount of the right-of-use assets will be adjusted accordingly.

Where the Group remeasures a lease liability as a result of changes in lease payments, the carrying amount of the right-of-use asset is adjusted accordingly.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

### **19. Intangible assets**

#### **(I) Valuation methods, useful lives, impairment**

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group probably and the cost of the asset can be measured reliably.

The useful life of an intangible asset is determined on the basis of the period for which it will provide economic benefits to the Group. An intangible asset is regarded as having an indefinite useful life when there is no unforeseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

The intangible assets of the Group are mainly software with the useful lives from 1 to 5 years

## **V. Significant accounting policies and accounting estimates (continued)**

### **19. Intangible assets (continued)**

#### **(II) Accounting policy for internal research and development expenditure**

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalized only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

### **20. Impairment of assets**

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

## V. Significant accounting policies and accounting estimates (continued)

### 21. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method as follows:

Category	Amortisation period
Leasehold improvements	1 to 5 years
Others	1 to 3 years

### 22. Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

### 23. Employee benefits

#### (I) Short-term employee benefits

During an accounting period when employees render services to the entity, the amount of short-term employee benefits actually incurred should be recognised as a liability and be recognised in profit or loss for the current period or in cost of related assets.

#### (II) Post-employment benefits (defined contribution plan)

The employees of the Group participate in a pension scheme and unemployment insurance managed by the local governments, and the corresponding expenses shall be included in the cost of related assets or profit or loss.

#### (III) Termination benefits

The Group provides termination benefits to employees and recognises an employee benefits liability for termination benefits, with a corresponding charge to profit or loss, at the earlier of when the Group can no longer withdraw the offer of those benefits resulting from an employment termination plan or a curtailment proposal and when the Group recognise costs involving the payment of termination benefits.

## V. Significant accounting policies and accounting estimates (continued)

### 24. Lease liabilities

At the commencement date of the lease, the Group recognizes the present value of the unpaid lease payments as a lease liability. Lease payments include fixed and substantial fixed payments net of lease incentives, variable lease payments depending on index or ratio, amounts expected to be payable based on the residual value of the guarantee, and the exercise price of the purchase option or the amount to be required to exercise the termination option, provided that the Group reasonably determines that the option or the term of the lease reflects the Group's exercise of the option to terminate the lease.

In calculating the present value of lease payments, the Group uses the implied interest rate of the lease as the discount rate; If the interest rate included in the lease cannot be determined, the interest rate of the lessee's incremental borrowing shall be used as the discount rate. The Group calculates the interest expense of the lease liability during each period of the lease term in accordance with the constant periodic rate of interest and recognizes it in profit and loss for the current period, except otherwise stipulated in the cost of related assets. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease, the Group increases the carrying amount of the lease liability when it recognizes interest and reduces the carrying amount of the lease liability when it pays the lease payment. After a lease term commences, when there is a change in the amount of in-substance fixed lease payments, a change in the amounts expected to be payable under a residual value guarantee, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in assessment of an option to purchase the underlying asset, renew or terminate the lease, or change in the actual exercise of an option, the Group remeasures the carrying amount of the lease liability by discounting the revised lease payments.

### 25. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

## V. Significant accounting policies and accounting estimates (continued)

### 26. Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such equity-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognized, with a corresponding increase in capital reserves; if such equity-settled share-based payment could not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognizes the services received for the current period as related costs and expenses, with a corresponding increase in capital reserves, at an amount equal to the fair value of the equity instruments at the grant date, based on the best estimate of the number of equity instruments expected to vest. The fair value of equity instruments is determined based on an assessment by a third-party independent asset appraiser, as described in Note XIII.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If an employee or other parties can choose whether to meet a non-vesting condition, the Group treats the employee's or other parties' failure to meet that non-vesting condition during the vesting period as a cancellation. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. The cost of cash-settled transactions is measured at the fair value of the liability which is determined on the basis of shares or other equity instruments of the Group.

### 27. Revenue from contracts with customers

The Company is required to comply with the disclosure requirements for retail industry specified in the *Self-disciplinary Supervision Guidelines No.3 for Companies Listed on Shenzhen Stock Exchange - Industry Information Disclosure*.

## **V. Significant accounting policies and accounting estimates (continued)**

### **27.Revenue from contracts with customers (continued)**

The Company is required to comply with the disclosure requirements for jewelry-related business specified in the *Self-disciplinary Supervision Guidelines No.3 for Companies Listed on Shenzhen Stock Exchange - Industry Information Disclosure*..

The Group recognises revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of the relevant goods or services. The acquisition of control of the relevant goods or services is defined as the ability to dominate the use of the goods or the provision of the services and to derive substantially all the economic benefits therefrom.

#### **Contracts for the sale of goods**

A contract for the sale of goods between the Group and the customer usually only includes the performance obligation to transfer the goods. The Group generally recognizes revenue at the point in the performance of each individual performance obligation taking into account a combination of the acquisition of the current right to receive the goods, the transfer of significant risks and rewards of ownership of goods, the transfer of legal title to goods, the transfer of physical possession of goods, and the customer's acceptance of goods.

The Group mainly adopts the self-operated model for sales, which sells goods to customers in retail form and recognizes revenue when customers receive them.

#### **Sales with a right of return**

For sales with a right of return, the Group recognizes the revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring control of the goods to the customer, and recognizes the amount expected to be refunded as a result of the sales return as a refund liability. At the same time, an asset recognized for an entity's right to recover goods from a customer on settling a refund liability is measured by reference to the carrying amount of the goods less any expected costs to recover the goods (including potential decreases in the value of the returned goods), that is, right-of-return assets, and recognized cost of sales based on the carrying amount of the transferred goods at the time of transfer of the goods less the net amount of the asset cost above. At each balance sheet date, the Group re-estimate the future sales return and remeasures the assets and liabilities above.

## V. Significant accounting policies and accounting estimates (continued)

### 27. Revenue from contracts with customers (continued)

#### Warranties

The Group provides a warranty in connection with the sale of a good in accordance with the contract and the relevant laws and regulations, etc. The Group accounts for assurance-type quality assurance in order to assure customers that the goods sold meet the established standards, in accordance with Note 3 and 19. For service-type quality assurance that provides a separate service in addition to the established standards for assuring the customer that the goods sold meet the established standards, the Group apportions part of the transaction price to the service-type quality assurance in proportion to the relative proportion of the separate selling price for the provision of the quality assurance of goods and services, and recognizes revenue when the customer acquires control of the service. When assessing whether a service-type warranty provides a customer with a separate service in addition to the assurance that the good complies with agreed-upon specifications, the Group considers whether the warranty is required by law, the length of the warranty coverage period and the nature of the tasks that the Group promises to perform, etc.

#### Principal/agent

Under the Offline Joint-Operated business model, cooperative shopping malls provide stores or counters to the Group for the sale of goods, and the shopping malls receive a commission according to a certain percentage of the turnover. The Group undertakes primary responsibility for the transfer of goods to customers, is entitled to determine the transaction price, and bears the inventory risk. Therefore the Group is a principal and recognizes revenue based on the total consideration received or receivable when customers receive the goods.

#### Additional purchase option included with the customer

Where an additional purchase option is attached to the customer, the Group evaluates the option to provide a material right to the customer when the customer acquires control of the relevant goods. Revenue is recognized on the basis of the amount of consideration expected to be entitled to be received as a result of the transfer of goods to the customer, and revenue is apportioned to each individual performance obligation based on the relative proportion to the individual selling prices of the goods committed to the individual performance obligations.

## V. Significant accounting policies and accounting estimates (continued)

### 28. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

If government documents stipulate that it is used for the purchase, construction, or other forms of long-term assets, it shall be regarded as government grants related to assets; If the government documents are not clear, the judgment shall be based on the basic conditions that must be met to obtain the government grant. If the basic conditions are to form long-term assets through purchase, construction or other means, it shall be regarded as government grants related to assets, and otherwise it shall be regarded as government grants related to income..

A government grant related to income is accounted for as follows: (i) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; or (ii) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses.

A government grant relating to an asset shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

## V. Significant accounting policies and accounting estimates (continued)

### 29. Deferred tax

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss; and

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

(1) when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefit of deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

## V. Significant accounting policies and accounting estimates (continued)

### 29. Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered.

### 30. Leases

#### (1) Accounting treatment for operating lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. If a party of the contract conveys the right to control the use of an identified asset or identified assets for a period of time in exchange for consideration, the contract shall be a lease contract or contains lease.

#### As lessee

The Group's recognition of right-of-use assets and lease liabilities for leases is shown in Note V.18 and V.24..

#### *Short-term leases and leases of low-value assets*

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB40,000 or USD5000 when it is new as a lease of low-value assets. If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group has chosen to recognize right-of-use assets and lease liabilities for both short-term leases and low-value asset leases. See Note V.18 and V.24 for details.

## V. Significant accounting policies and accounting estimates (continued)

### 31. Other Significant accounting policies and accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Business model*

The classification of financial assets at initial recognition is depends on the Group's business model for managing financial assets. Factors considered by the Group in judging the business model include enterprise evaluation, the method of reporting the results of financial assets to key management members, the risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contractual cash flows, the Group is required to analyse and exercise judgement in respect of the reasons, timing, frequency and values of any disposals prior to maturity of the financial assets.

## V. Significant accounting policies and accounting estimates (continued)

### 31. Other Significant accounting policies and accounting estimates (continued)

#### Judgements (continued)

##### *Whether a contract is, or contains, a lease*

The Group entered into a service agreement under Offline Joint-Operated business model. The Group believes that, based on the agreement, there is an identified asset and the Group controls the right to use the asset during the lease period. Therefore, the service agreement contains a lease and the Group treats it as a lease.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

##### *Impairment of financial instruments*

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimates and consideration of all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the impairment provision, and the amount of impairment provision made may not equal to the actual amount of impairment loss in the future.

##### *Impairment of non-current assets other than financial assets*

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in Note VII.42.

## V. Significant accounting policies and accounting estimates (continued)

### 31. Other Significant accounting policies and accounting estimates (continued)

#### Estimation uncertainty (continued)

##### *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### *Variable consideration involving sales returns*

The Group makes reasonable estimate of a group of contracts with similar characteristics according to the historical sales data, the current sales situation, as well as customer changes, market changes and other relevant information. The estimated return rate may not be equal to the actual return rate in the future and the Group reassesses the return rate at each balance sheet date and determines accounting based on the reassessed return rate.

##### *Inventory provision determined on net realisable value*

In accordance with the inventory accounting policy, the Group measures the lower of cost and net realizable value, and makes provision for inventory price decline when the cost is higher than the net realizable value. The Group reestimates at each balance sheet date whether the net realizable value of individual inventory items is lower than the cost of inventory.

##### *Fair value of wealth management products and structured deposits*

The fair value measurement of non-principal protected floating income wealth management products and structured deposits linked to the spot exchange rate of EUR to USD requires the Group to estimate projected future cash flows, credit risk volatility and discount rates, and is therefore uncertain.

##### *Provisions for store recovery*

As the lessee, the Group undertakes the obligation to restore the leased assets to the state agreed in the lease terms in accordance the lease contract. The management estimates provisions arising from the fulfillment of recovery obligations based on industry conditions and historical experience. At the balance sheet date, management reviews the carrying amount of the provisions and makes appropriate adjustments to reflect the current best estimates.

##### *Share-based payments*

Based on fair value at the grant date, the Group makes the best estimate of the number of exercisable equity instruments based on subsequent information available at the latest available subsequent information at fair value at the grant date, and includes the services acquired in the current period in the relevant costs or expenses. Management must estimate the Group's projected future cash flows to assess the fair value of the equity instruments grant date and estimate the number of vestigable equity instruments.

## V. Significant accounting policies and accounting estimates (continued)

### 31. Other Significant accounting policies and accounting estimates (continued)

#### Estimation uncertainty (continued)

##### *Lessee's incremental borrowing rate*

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

### 32. Changes in significant accounting policies and accounting estimates

N/A

## VI. Taxes

### 1. Major categories of taxes and tax rates

Category	Basis	Tax rate
Value added tax	General taxpayers calculate output tax at 6%, 13% or 20% of their taxable income and pay VAT on the difference after deducting the allowable input VAT deduction for the current period. Small-scale taxpayers are charged at a levy rate of 3%.	3%, 6%, 13%, 20%
Excise tax	Sales revenue of gold and silver jewellery sold at the retail stage.	5%
Urban maintenance and construction tax	Turnover taxes actually paid.	5%, 7%
Corporate income tax	Taxable income	16.5%, 25%, 28%
Education surcharge	Turnover taxes actually paid.	3%
Local education surcharge	Turnover taxes actually paid.	2%

**VI. Taxes (continued)****1. Major categories of taxes and tax rates (continued)**

Disclosure of information on taxpayers with different corporate income tax rates

Name of taxpayers	Income tax rate
DR Corporation Limited	25%
Shanghai Darry Diamond Co., Ltd	25%
Couple Only (Shenzhen) Jewelry Co., Ltd	20%
He'er Culture (Shenzhen) Co., Ltd	15%
Shenzhen Darry Commercial Management Services Co., Ltd	15%
Chongqing Darry Jewelry Co., Ltd	20%
Shenzhen Love Only AI Cloud Technology Co., Ltd	15%
Haoduo Diamond (Shenzhen) Co., Ltd	25%
Haoduo Diamond Zhizao (Shenzhen) Co., Ltd	20%
DR Group Company Limited	16.5%
DARRY JEWELRY (HK) LIMITED	16.5%
Couple Only Jewelry HongKong Company Limited	16.5%
DR Jewelry	28%
Xiamen DR Jewelry Co., Ltd	20%
Shenyang DR Jewelry Co., Ltd	20%
Tianjin DR Jewelry Co., Ltd	20%
Chengdu DR Jewelry Co., Ltd	20%
Kunming DR Jewelry Co., Ltd	20%
Shanghai DR Jewelry Co., Ltd	20%
Suzhou Zhongzuan DR Jewelry Co., Ltd	20%
Jinan DR Jewelry Co., Ltd	20%
Shenzhen DR Jewelry Co., Ltd	20%
Beijing Zhongzuan DR Jewelry Co., Ltd	20%
Suzhou DR Jewelry Co., Ltd	20%
Shenyang DR Jewelry Accessories Co., Ltd	20%
Hangzhou DR Jewelry Co., Ltd	20%
Beijing DR Jewelry Co., Ltd	20%
Wuhan DR Jewelry Co., Ltd	20%
Wuhan Zhongzuan DR Jewelry Co., Ltd	20%
Xi'an DR Jewelry Co., Ltd	20%
Chengdu DR True Love Jewelry Co., Ltd	20%
Ningbo DR Jewelry Co., Ltd	20%
Beijing Huazuan DR Jewelry Co., Ltd	20%
Chongqing DR Jewelry Co., Ltd	20%
Hangzhou DR True Love Jewelry Co., Ltd	20%
Henan DR Jewelry Co., Ltd	20%
Xi'an DR Jewelry and Accessories Co., Ltd	20%
Zhengzhou DR Jewelry Co., Ltd	20%
Shenzhen DR Jewelry Accessories Co., Ltd	20%
Shenzhen DR Jewelry Ornament Co., Ltd	20%
Changsha DR Jewelry Co., Ltd	20%
Shanghai DR Jewelry Accessories Co., Ltd	20%
Shanghai DR Jewelry Sales Co., Ltd	20%
Zhoukou DR Jewelry Co., Ltd	20%
Yiwu DR Jewelry Co., Ltd	20%
Heze DR Jewelry Co., Ltd	20%
Dongguan DR Jewelry Co., Ltd	20%
Xining DR Jewelry Co., Ltd	20%
Linyi DR Jewelry Co., Ltd	20%
Yinchuan DR Jewelry Co., Ltd	20%
Weifang DR Jewelry Co., Ltd	20%
Nanchang DR Jewelry Co., Ltd	20%
Jining DR Jewelry Co., Ltd	20%
Mianyang DR Jewelry Co., Ltd	20%
Fuyang DR Jewelry Co., Ltd	20%
Shangqiu DR Jewelry Co., Ltd	20%
Urumqi DR Jewelry Co., Ltd	20%
Handan Jewelry Co., Ltd	20%

## VI. Taxes (continued)

### 1. Major categories of taxes and tax rates (continued)

Name of taxable entity	Income tax rate
Baoding DR Jewelry Sales Co., Ltd	20%
Guangzhou DR Jewelry Co., Ltd	20%
Guiyang DR Jewelry Co., Ltd	20%
Langfang DR Jewelry Co., Ltd	20%
Foshan DR Jewelry Co., Ltd	20%
Jiaxing DR Jewelry Co., Ltd	20%

### 2. Tax benefits

#### (I) Income tax benefits

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Extending the Preferential Policies for Enterprise Income Tax in the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Cai Shui [2021] No. 30), from January 1, 2021 to December 31, 2025, the enterprise income tax policy of the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone will be continued, and eligible enterprises located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone will be subject to enterprise income tax at a reduced rate of 15%. Shenzhen Darry Commercial Management Service Co., Ltd. and He'er Culture (Shenzhen) Co., Ltd., subsidiaries of the Company, are established in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and will be subject to corporate income tax at a reduced rate of 15% in 2022.

According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Shenzhen Love Only AI Cloud Technology Co., Ltd. (hereinafter referred to as "Love Only AI"), a subsidiary of the Company, obtained the qualification of high-tech enterprise on December 11, 2020, which is valid for three years, and can enjoy a preferential income tax rate of 15% for high-tech enterprises from 2020 to 2022. In 2022, we will levy corporate income tax at a rate of 15%.

In accordance with the Inland Revenue (Inland Revenue Department) 2018 (No. 3) Ordinance promulgated by the Inland Revenue Department of the Government of the Hong Kong Special Administrative Region on 29 March 2018, the two-tiered profits tax system has been implemented with effect from 1 April 2018, and the income tax rate of DR Group Company Limited, a subsidiary of the Company, has been reduced to 8.25% for the first HKd 2 million profit in 2022, and profits thereafter will continue to be taxed at 16.5%.

According to the Announcement of the State Administration of Taxation of the Ministry of Finance on the Implementation of the Preferential Income Tax Policy for Small and Micro Enterprises and Individual Industrial and Commercial Enterprises (No. 12 of 2021), from January 1, 2021 to December 31, 2022, the annual taxable income of small and micro-profit enterprises does not exceed RMB1 million, on the basis of the preferential policies stipulated in Article 2 of the Notice of the State Administration of Taxation of the Ministry of Finance on the Implementation of the Inclusive Tax Reduction and Reduction Policy for Small and Micro Enterprises (Cai Shui [2019] No. 13), Corporate income tax will be reduced by half. Some subsidiaries of the Company will meet the conditions of small and micro-profit enterprises in 2022 and apply the corresponding preferential policies on their own.

## **VI. Taxes (continued)**

### **2. Tax benefits (continued)**

#### **(II) VAT tax benefits**

According to the Notice of the General Administration of Customs of the Ministry of Finance and the State Administration of Taxation on Adjusting the Relevant Tax Policies of the Diamond and Shanghai Diamond Exchange (Cai Shui [2006] No. 65), polished diamonds imported through the customs declaration of the competent customs of the Diamond Exchange shall be levied and refunded immediately if the actual VAT burden exceeds 4% at the import stage. Shanghai Darry Diamond Co., Ltd. (hereinafter referred to as "Shanghai Darry"), a subsidiary of the Company, has the membership of the Shanghai Diamond Exchange and enjoys the tax treatment of immediate refund for the part of the actual VAT burden in the import process exceeding 4%.

In accordance with the provisions of Announcement No. 7 of 2021 of the Ministry of Finance and the State Administration of Taxation, the Ministry of Finance and the State Administration of Taxation announced the preferential tax policies stipulated in No. 13 of 2020, and the implementation period was extended to December 31, 2021. Among them, from April 1, 2021 to December 31, 2021, small-scale VAT taxpayers in Hubei Province will apply the taxable sales income at a rate of 3%, minus the 1% levy rate; For items subject to a 3% pre-levy rate, the prepayment VAT at a pre-levy rate of 1% will be reduced. According to the provisions of Announcement No. 15 of 2022 of the State Administration of Taxation of the Ministry of Finance, the implementation period of the preferential tax policies stipulated in Article 1 of the Announcement No. 7 of 2021 of the State Administration of Taxation of the Ministry of Finance has been extended to March 31, 2022. Some branches of the company are small-scale taxpayers and meet the above standards, and will apply the corresponding preferential policies in 2022.

According to the Announcement of the State Administration of Taxation on the Exemption of Small-scale Taxpayers from VAT Collection and Administration (SAT Announcement No. 5 [2021]), small-scale taxpayers who engage in VAT taxable sales and their total monthly sales do not exceed RMB150,000 (or RMB450,000 if one quarter is a tax period). According to the Announcement of the State Administration of Taxation of the Ministry of Finance on VAT Exemption for Small-scale VAT Taxpayers (Announcement No. 15 of 2022 of the State Administration of Taxation of the Ministry of Finance), from April 1, 2022 to December 31, 2022, small-scale VAT taxpayers are exempt from VAT on taxable sales income at a rate of 3%. Some of the Company's branches are small-scale taxpayers and meet the above standards, and will be exempt from VAT in 2022.

**VI. Taxes (continued)****2. Tax benefits (continued)****(III) Additional tax incentives**

According to the Announcement of the State Administration of Taxation of the Ministry of Finance on Further Implementing the "Six Taxes and Two Fees" Reduction and Reduction Policy for Small and Micro Enterprises (Announcement No. 10 of 2022 of the State Administration of Taxation of the Ministry of Finance), the people's governments of provinces, autonomous regions and municipalities directly under the Central Government can determine that small-scale tax taxpayers of value-added tax, small and micro-profit enterprises and individual industrial and commercial enterprises may reduce resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), farmland occupation tax, education surcharge, and local education surcharge within a 50% tax amount range. In 2022, some of the Company's branches are small and micro-profit enterprises, and some of the Company's branches are small-scale taxpayers and meet the above standards, so corresponding preferential policies for reduction and exemption will be applied.

According to the Circular of the State Administration of Taxation of the Ministry of Finance on Expanding the Scope of Exemption for Relevant Government Funds (Cai Shui [2016] No. 12), the scope of education fee surcharge, local education surcharge and water conservancy construction fund will be exempted by the obligor whose monthly sales or turnover currently taxed monthly does not exceed RMB30,000 (quarterly sales or turnover that pays quarterly tax does not exceed RMB90,000). Extended to payers whose monthly sales or turnover for monthly tax does not exceed RMB100,000 (quarterly sales or turnover for quarterly tax does not exceed RMB300,000). Some branches of the Company meet the above standards and will be exempted from education surcharge, local education surcharge and water conservancy construction funds in 2022.

**VII. Notes to key items of the consolidated financial statements****1. Currency funds**

	Closing balance	Currency: RMB Yuan Opening balance
Cash on hand	391,749.23	260,691.68
Cash at banks	513,078,584.94	4,737,174,517.72
Others (Note 1)	<u>8,434,484.13</u>	<u>4,075,244.05</u>
<b>Total</b>	<b><u>521,904,818.30</u></b>	<b><u>4,741,510,453.45</u></b>
Including:		
Offshore currency funds	4,313,836.35	4,687,559.73
Total amount with restrictions on use due to mortgage, pledge or freeze	<u>279,787.68</u>	-

Notes:

(1) The Group's other currency funds mainly included account balances on third-party payment platforms such as WeChat pay and Alipay.

(2) As at 31 December 2022, the Group's restricted currency funds totalled RMB279,787.68 (31 December 2021: nil), which was restricted due to the failure to provide bank-enterprise reconciliation results or bank's misjudgment.

(3) As at 31 December 2022, the Group had no funds held offshore with repatriation restrictions.

**2. Financial assets held for trading**

	Closing balance	Currency: RMB Yuan Opening balance
Financial assets at fair value through profit or loss	5,609,891,931.68	1,824,097,569.32
Structured Deposits (Note 1)	330,189,591.78	50,004,109.59
Wealth management products (Note 2)	<u>5,279,702,339.90</u>	<u>1,774,093,459.73</u>
<b>Total</b>	<b><u>5,609,891,931.68</u></b>	<b><u>1,824,097,569.32</u></b>

Notes:

(1) The structured deposits are capital protected floating income bank structured deposit investments linked to the 7-day interbank repo fixed rate and the spot exchange rate of the euro against the US dollar.

(2) The wealth management products are capital protected and non-capital protected floating income wealth management products.

## VII. Notes to key items of the consolidated financial statements (continued)

### 3. Accounts receivable

(I) Accounts receivable and provisions are disclosed by category as follows:

Currency: RMB Yuan

Category	Closing balance					Opening balance				
	Gross carrying amount		Provision		Carrying amount	Gross carrying amount		Provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Impairment allowance which is individually assessed	1,476,671.46	1.65	1,476,671.46	100	-	1,750,141.69	0.95	1,695,434.95	96.87	54,706.74
Including:										
Mall A	1,476,671.46	1.65	1,476,671.46	100	-	1,576,671.46	0.86	1,576,671.46	100	-
Mall B	-	-	-	-	-	173,470.23	0.09	118,763.49	68.46	54,706.74
Impairment allowance which is assessed by the combination of credit risk characteristics	88,050,351.57	98.35	3,571,440.05	5.46	84,478,911.52	181,875,610.67	99.05	7,049,640.91	5.39	174,825,969.76
Including:										
Accounts receivable from POS machines and e-commerce platforms	22,630,287.88	25.28	-	-	22,630,287.88	51,090,898.25	27.82	-	0	51,090,898.25
Accounts receivable from the mall	65,420,063.69	73.07	3,571,440.05	5.46	61,848,623.64	130,784,712.42	71.23	7,049,640.91	5.39	123,735,071.51
<b>Total</b>	<b>89,527,023.03</b>	<b>100.00</b>	<b>5,048,111.51</b>	<b>5.64</b>	<b>84,478,911.52</b>	<b>183,625,752.36</b>	<b>100</b>	<b>8,745,075.86</b>	<b>3.87</b>	<b>174,880,676.50</b>

Impairment allowance which is individually assessed: 1,476,671.46

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3.Accounts receivable (continued)**

Name	Closing balance			Reasons for provision
	Gross Carrying amount	Expected credit loss	Expected credit loss ratio (%)	
Mall A	<u>1,476,671.46</u>	<u>1,476,671.46</u>	100.00	The mall has been in arrears for a long time and is expected to be unable to recover the money.
Total	<u>1,476,671.46</u>	<u>1,476,671.46</u>		

Impairment allowance which is assessed by the combination of credit risk characteristics :  
3,571,440.05

Name	Closing balance		
	Gross carrying amount	Expected credit loss	Expected credit loss ratio (%)
Accounts receivable from POS machines and e-commerce platforms	22,630,287.88	-	-
Accounts receivable from shopping malls	<u>65,420,063.69</u>	<u>3,571,440.05</u>	5.46
Total	<u>88,050,351.57</u>	<u>3,571,440.05</u>	

An aging analysis of accounts receivable is as follows:

Aging	Gross carrying amount
Within 1 year	87,167,396.78
1 to 2 years	<u>2,359,626.25</u>
Total	<u>89,527,023.03</u>

**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. Accounts receivable (continued)**

(II) The movements in impairment allowance for accounts receivable are as follows:

Category	Opening balance	Provision	Change during the period			Closing balance
			Recovery or reversal	Write-offs	Others	
Receivables from malls	8,745,075.86	3,523,852.25	7,220,816.60	-	-	5,048,111.51
Total	8,745,075.86	3,523,852.25	7,220,816.60	-	-	5,048,111.51

Currency: RMB Yuan

As at 31 December 2022, the top 5 accounts receivable by amount were as follows:

Name	Gross carrying amount	Percentage for total accounts receivable (%)		Impairment allowance
No.1	6,736,028.18	7.52		-
No.2	5,255,656.37	5.87		-
No.3	3,398,156.16	3.80		185,513.59
No.4	3,103,513.74	3.47		-
No.5	2,970,154.16	3.32		-
Total	21,463,508.61	23.98		185,513.59

Currency: RMB Yuan

**4. Prepayments**

An aging analysis of prepayments is as follows:

Aging	Closing balance		Opening balance	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	74,104,582.84	99.84	59,675,367.95	99.17
1 to 2 years	121,851.31	0.16	501,805.91	0.83
Total	74,226,434.15	100.00	60,177,173.86	100.00

Currency: RMB Yuan

As at 31 December 2022, the Group had no material prepayments with an aging of more than 1 year (2021: nil).

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4.Prepayments (continued)**

As at 31 December 2022, the top 5 prepayments by amounts are as follows:

Currency: RMB Yuan			
Name	Gross carrying amount	Percentage for total prepayments (%)	Remarks
No.1	15,891,971.10	21.41	Business promotion fees
No.2	4,501,071.45	6.06	Business promotion fees
No.3	3,683,835.67	4.96	Business promotion fees
No.4	2,190,191.35	2.95	Goods Payments
No.5	1,879,111.75	2.53	Business promotion fees
<b>Total</b>	<b>28,146,181.32</b>	<b>37.91</b>	

**5.Other receivables**

Currency: RMB Yuan		
	Closing balance	Opening balance
Other receivables	8,184,551.61	10,279,311.35
<b>Total</b>	<b>8,184,551.61</b>	<b>10,279,311.35</b>

**(I) Other receivables**

1) category of other receivables by nature is as follows:

Currency: RMB Yuan		
Nature	Closing balance	Opening balance
Social insurances and housing fund borne by employees	5,805,962.39	4,144,173.18
Temporary loans for employees	1,365,064.13	1,042,294.95
Others	2,918,525.09	5,092,843.22
<b>Total</b>	<b>10,089,551.61</b>	<b>10,279,311.34</b>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5.Other receivables (continued)**

2) Changes in the impairment allowance in other receivables based on expected credit losses over the next 12 months are as follows:

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Currency: RMB Yuan Total
Opening	-	-	-	-
Accrual	-	-	1,905,000.00	1,905,000.00
Closing	-	-	1,905,000.00	1,905,000.00

An aging analysis of other receivables is as follows:

Aging	Currency: RMB Yuan Gross carrying amount
Within 1 year	8,184,551.61
1 to 2 years	1,905,000.00
Total	10,089,551.61

3) The movements in impairment allowance for other receivables are as follows:

Category	Opening balance	Provision	Change during the period		Currency: RMB Yuan		Closing balance
			Reversal	Write-offs	Others		
Impairment allowance for other receivables	-	1,905,000.00	-	-	-	-	1,905,000.00
Total	-	1,905,000.00	-	-	-	-	1,905,000.00

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5.Other receivables (continued)**

4) As at 31 December 2022, the top 5 other receivables by amount are as follows:

Name	Nature	Closing balance	Aging	Percentage of other receivables (%)	Impairment allowance
No.1	Payments for fixed assets	1,905,000.00	Over 1 years	18.88	1,905,000.00
No.2	Temporary loans for employees	519,603.72	Within 1 year	5.15	-
No.3	Temporary loans for employees	210,000.00	Within 1 year	2.08	-
No.4	Temporary loans for employees	200,000.00	Within 1 year	1.98	-
No.5	Temporary loans for employees	<u>199,445.04</u>	Within 1 year	<u>1.98</u>	<u>-</u>
Total		<u>3,034,048.76</u>		<u>30.07</u>	<u>1,905,000.00</u>

## VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6.Inventories

Whether the company is required to comply with the disclosure requirements of the real estate industry  
No

(1) The category of inventories by nature is as follows:

Category	Closing balance			Opening balance		
	Gross carrying amount	Provision	Carrying amount	Gross carrying amount	Provision	Carrying amount
	Currency: RMB Yuan					
Raw materials	134,671,437.41	-	134,671,437.41	102,243,341.98	-	102,243,341.98
Finished goods	516,044,105.23	6,528,401.70	509,515,703.53	312,523,116.54	6,660,967.36	305,862,149.18
Turnover materials	5,183,351.50	-	5,183,351.50	4,694,252.13	-	4,694,252.13
Shipping Goods	1,209,323.01	-	1,209,323.01	3,806,404.24	-	3,806,404.24
Outsourced processing materials	16,482,477.19	-	16,482,477.19	17,136,689.29	-	17,136,689.29
Work in process	2,824,345.36	-	2,824,345.36	6,230,318.00	-	6,230,318.00
<b>Total</b>	<b>676,415,039.70</b>	<b>6,528,401.70</b>	<b>669,886,638.00</b>	<b>446,634,122.18</b>	<b>6,660,967.36</b>	<b>439,973,154.82</b>

The Company is required to comply with the disclosure requirements for "jewelry-related business" specified in the *Self-disciplinary Supervision Guidelines No.3-Industry Information Disclosure* of companies listed on the Shenzhen Stock Exchange.

## VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6.Inventories (continued)

Carrying Amount of inventory by categories as at year-end

Currency: RMB0'000

Items	Carrying amount as at year-end				Turnover Material	Shipping Goods	Total
	Work in process	Finished Goods	Outsourced Processing Materials	Raw Material			
K Gold Jewelry	232.19	48,581.88	45.35	-	-	110.39	48,969.81
Platinum Jewelry	38.41	2,057.39	2.87	-	-	10.55	2,109.21
Gold Jewelry	-	892.20	8.90	-	-	-	901.09
Diamond	-	-	1,576.17	13,467.14	-	-	15,043.31
Turnover Material	-	-	-	-	518.34	-	518.34
Others	11.84	72.95	14.96	-	-	-	99.75
<b>Total</b>	<b>282.44</b>	<b>51,604.42</b>	<b>1,648.25</b>	<b>13,467.14</b>	<b>518.34</b>	<b>120.94</b>	<b>67,641.51</b>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****6.Inventories (continued)**

(2) The changes in provision for inventories and provision for impairment of contract performance costs are as follows:

2022

		Increase			Decrease		Currency: RMB Yuan
	Opening balance	Provision	Others	Reversal or Write-off	Others	Closing balance	
Finished goods	<u>6,660,967.36</u>	<u>6,245,162.69</u>	-	<u>6,377,728.35</u>	-	<u>6,528,401.70</u>	
Total	<u>6,660,967.36</u>	<u>6,245,162.69</u>	-	<u>6,377,728.35</u>	-	<u>6,528,401.70</u>	

No inventory with restriction as at 31 December 2022 (31 December 2021: Nil).

Net realizable value of inventory is the net value of the estimated selling price of inventory less further processing costs and estimated selling expenses and related taxes.

The reason for the provision for resold inventory is that the finished product has been sold or disposed of as a corresponding resold inventory decline

**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. Current portion of non-current assets**

	Closing balance	Currency: RMB Yuan Opening balance
Debt investments due within one year	66,085,379.00	161,632,035.74
Deposits	41,240,679.30	31,549,696.86
	<u>107,326,058.30</u>	<u>193,181,732.60</u>
Less: Provisions	<u>358,191.14</u>	<u>358,191.14</u>
Total	<u><u>106,967,867.16</u></u>	<u><u>192,823,541.46</u></u>

## Notes:

As at 31 December 2022, the Group's large-sum certificates of deposit due within one year were RMB66,085,379.00, with a maturity date of April 2023 and a deposit interest rate of 3.80%.

As at 31 December 2022, the Group's tenancy deposit due within one year was RMB41,240,679.30.

As at 31 December 2022, the deposit for the provision for bad debts was a deposit owed by shopping malls and individual landlords to stores that had been retired, and the Group did not expect to be able to recover the amount, and the single amount was not material.

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****8.Other current assets**

	Closing balance	Currency: RMB Yuan Opening balance
Right-of-return assets	272,853.07	779,762.70
Wealth management products	31,378,714.16	-
Prepaid income tax	23,359,776.18	-
VAT tax credit	14,808,790.02	-
Deferred expenses	3,318,077.34	1,125,752.23
Value added taxes recoverable and to be certified	316,714.84	2,815,346.92
New material samples	-	2,428,198.46
<b>Total</b>	<b>73,454,925.61</b>	<b>7,149,060.31</b>

**9.Debt investments**

	Closing balance			Opening balance		
	Outstanding balance	Provision for impairment	Carrying amount	Outstanding balance	Provision for impairment	Carrying amount
Large-sum certificates of deposit with a term of over one year	794,553,996.36	-	794,553,996.36	218,585,379.05	-	218,585,379.05
<b>Total</b>	<b>794,553,996.36</b>	<b>-</b>	<b>794,553,996.36</b>	<b>218,585,379.05</b>	<b>-</b>	<b>218,585,379.05</b>

**Notes:**

The debt investment as at 31 December 2022 was a large deposit certificate purchased by the Group with a maturity period of more than one year, with a maturity date of February 2024 to October 2027 and a deposit interest rate of 3.30%-4.05% (31 December 2021: a maturity date of April 2023 to February 2024, and a deposit interest rate of 3.65%-3.80%).

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****10.Fixed assets**

	Closing balance	Currency: RMB Yuan Opening balance
Fixed assets	14,068,805.09	6,325,614.51
Disposal of fixed assets	<u>-</u>	<u>-</u>
Total	<u>14,068,805.09</u>	<u>6,325,614.51</u>

## (1) Fixed assets

	Transportation facilities	Office equipment and other facilities	Currency: RMB Yuan Total
Cost			
Opening balance	2,623,519.41	11,001,307.64	13,624,827.05
Purchases	3,085,947.43	8,696,052.19	11,781,999.62
Exchange differences on translation of foreign currency financial statements	-	5,476.23	5,476.23
Disposals or retirements	<u>(651,578.46)</u>	<u>(371,637.97)</u>	<u>(1,023,216.43)</u>
Closing balance	<u>5,057,888.38</u>	<u>19,331,198.09</u>	<u>24,389,086.47</u>
Accumulated depreciation			
Opening balance	2,357,181.05	4,942,031.49	7,299,212.54
Provision	584,300.16	3,389,851.48	3,974,151.64
Exchange differences on translation of foreign currency financial statements	-	5,003.43	5,003.43
Disposals or retirements	<u>(618,999.54)</u>	<u>(339,086.69)</u>	<u>(958,086.23)</u>
Closing balance	<u>2,322,481.67</u>	<u>7,997,799.71</u>	<u>10,320,281.38</u>
Provision for impairment			
Opening balance	-	-	-
Provision	-	-	-
Disposals or retirements	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
At end of year	<u>2,735,406.71</u>	<u>11,333,398.38</u>	<u>14,068,805.09</u>
At beginning of year	<u>266,338.36</u>	<u>6,059,276.15</u>	<u>6,325,614.51</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**11.Right-of-use assets**

	Buildings	Currency: RMB Yuan Total
<b>Cost</b>		
Opening balance	685,380,285.48	685,380,285.48
Addition	540,488,065.90	540,488,065.90
Disposals	(176,038,243.89)	(176,038,243.89)
Exchange differences on translation of foreign currency financial statements	<u>505,499.87</u>	<u>505,499.87</u>
Closing balance	<u><u>1,050,335,607.36</u></u>	<u><u>1,050,335,607.36</u></u>
<b>Accumulated depreciation</b>		
Opening balance	250,955,103.46	250,955,103.46
Provision	355,607,929.93	355,607,929.93
Disposals	(170,718,457.79)	(170,718,457.79)
Exchange differences on translation of foreign currency financial statements	<u>209,410.07</u>	<u>209,410.07</u>
Closing balance	<u><u>436,053,985.67</u></u>	<u><u>436,053,985.67</u></u>
<b>Provision for impairment</b>		
Opening balance	5,128,153.26	5,128,153.26
Provision	18,502,968.10	18,502,968.10
Write-off	-	-
Exchange differences on translation of foreign currency financial statements	<u>144,332.97</u>	<u>144,332.97</u>
Closing balance	<u><u>23,775,454.33</u></u>	<u><u>23,775,454.33</u></u>
<b>Carrying amount</b>		
At end of year	<u><u>590,506,167.36</u></u>	<u><u>590,506,167.36</u></u>
At beginning of year	<u><u>429,297,028.76</u></u>	<u><u>429,297,028.76</u></u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****12.Intangible assets**

2022

	Currency: RMB Yuan	
	Software	Total
Cost		
Opening balance	12,257,291.78	12,257,291.78
Purchases	1,323,456.05	1,323,456.05
Disposals	-	-
Closing balance	<u>13,580,747.83</u>	<u>13,580,747.83</u>
Accumulated amortization		
Opening balance	6,377,299.55	6,377,299.55
Provision	2,940,850.52	2,940,850.52
Disposals	-	-
Closing balance	<u>9,318,150.07</u>	<u>9,318,150.07</u>
Carrying amount		
At end of year	<u>4,262,597.76</u>	<u>4,262,597.76</u>
At beginning of year	<u>5,879,992.23</u>	<u>5,879,992.23</u>

As at 31 December 2022, the Group had no restricted intangible assets or intangible assets formed through internal research and development (31 December 2021: nil).

## VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. Long-term prepaid expenses

	Opening balance	Increase	Disposals during the year	Amortisation	Write-off	Currency: RMB Yuan Foreign currency statement translation differences	Closing balance
Leasehold improvements	<u>93,552,123.84</u>	<u>173,768,151.57</u>	<u>-</u>	<u>91,898,732.79</u>	<u>5,680,172.80</u>	<u>9,014.10</u>	<u>169,750,383.92</u>
Total	<u>93,552,123.84</u>	<u>173,768,151.57</u>	<u>-</u>	<u>91,898,732.79</u>	<u>5,680,172.80</u>	<u>9,014.10</u>	<u>169,750,383.92</u>

## Notes:

(1) The Group estimates its recoverable amount on a single-store basis, based on the present value of the projected future cash flows of the asset group.

(2) The Group has recognized an impairment loss of RMB5,680,172.80 in long-term amortization expenses in 2022, which is due to the carrying amount of stores showing signs of impairment in 2022 being lower than the recoverable amount (impairment loss on long-term amortization expenses not recognized in 2021). Due to the termination of the lease contract of the store for which impairment losses were charged, the long-term amortization allowance was written off on December 31, 2022 of RMB234,466.15 (December 31, 2021: RMB1,262,966.43).

(3) The Increase of RMB 173,777,165.67 includes the increase in current period of RMB 173,768,151.57 and exchange differences on translation of foreign currency financial statements of RMB 9,014.10.

## VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 14. Deferred tax assets/liabilities

## (1) Deferred tax assets before offsetting:

	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for asset impairment	40,067,827.14	10,003,234.08	18,099,129.45	4,524,782.36
Unrealized profit on inter-compan transactions-	7,326,359.23	1,831,589.81	7,375,844.89	1,843,961.22
Deductible losses	7,400,282.50	895,178.30	-	-
Provision for store restoratio obligations	8,561,231.41	2,140,307.85	6,230,598.44	1,557,649.61
Difference between tax an accounting of lease liability	582,115,033.63	144,045,844.11	423,456,841.05	104,072,670.89
Difference between the depreciatio of the fixed asset and the exemptio	-	-	6,912.09	1,140.49
Total	<u>645,470,733.91</u>	<u>158,916,154.15</u>	<u>455,169,325.92</u>	<u>112,000,204.57</u>

## (2) Deferred tax liabilities before offsetting:

	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of financi assets	62,891,931.68	15,568,533.63	23,597,569.32	5,582,100.82
Accrued interest on certificates c deposit	21,709,575.40	5,402,625.35	13,823,397.31	3,241,637.00
Difference between tax an accounting of right-of-use assets	<u>560,020,830.90</u>	<u>138,506,777.20</u>	<u>419,416,484.21</u>	<u>103,016,795.34</u>
Total	<u>644,622,337.98</u>	<u>159,477,936.18</u>	<u>456,837,450.84</u>	<u>111,840,533.16</u>

## (3) Deferred tax assets and liabilities are shown in the net amount after offsetting:

	31 December 2022		31 December 2021	
	Offset amount	Closing balance after offsetting	Offset amount	Closing balance after offsetting
Deferred tax assets	<u>150,724,937.79</u>	<u>8,191,216.36</u>	<u>107,234,415.18</u>	<u>4,765,789.39</u>
Deferred tax liabilities	<u>150,724,937.79</u>	<u>8,752,998.39</u>	<u>107,234,415.18</u>	<u>4,606,117.98</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****14.Deferred tax assets/liabilities (continued)**

(4) Deductible temporary differences and tax losses for which no deferred tax assets were recognized are as follows:

	Closing balance	Currency: RMB Yuan Opening balance
Unrecognized provision	10,423,943.75	10,266,912.85
Deductible losses	<u>31,521,098.68</u>	<u>28,298,391.60</u>
	<u>41,945,042.43</u>	<u>38,565,304.45</u>

(5) Deductible temporary differences and deductible losses on unrecognized deferred tax assets will due in the following years:

	Closing balance	Currency: RMB Yuan Opening balance
2022	-	236,104.91
2023	-	389,762.49
2024	100,839.02	260,861.41
2025	1,930,613.69	2,417,901.16
2026	2,500,649.53	2,649,363.35
2027	2,508,965.13	-
Infinity	<u>24,480,031.31</u>	<u>22,344,398.28</u>
Total	<u>31,521,098.68</u>	<u>28,298,391.60</u>

As the relevant companies that incurred the above losses are expected to have a low probability of making profits in the future and there is no profit sufficient to offset the losses, the Group has not recognized deferred tax assets for the tax losses incurred by the above related companies. Among them, DR Jewelry, a subsidiary established in France, incurred a cumulative loss of RMB 24,480,031.31 on December 31, 2022 (the cumulative loss incurred on December 31, 2021 was RMB 22,344,398.28), which can be made up indefinitely in the future.

The Group calculates and recognizes deferred tax assets arising from deductible temporary differences at the applicable tax rate for the period in which the asset is expected to be recovered or the liability is liquidated, up to the taxable income that is likely to be acquired in future periods to offset deductible temporary differences and deductible losses.



**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****18.Accounts payable**

	Closing balance	Currency: RMB Yuan Opening balance
Trade payables	<u>86,880,869.77</u>	<u>113,777,232.26</u>
Total	<u><u>86,880,869.77</u></u>	<u><u>113,777,232.26</u></u>

Trade payables are interest-free and normally settled within four months.

Aging over 1 year:

	Closing balance	Currency: RMB Yuan Reasons
Over 1 years	<u>3,419,773.88</u>	_____
Total	<u><u>3,419,773.88</u></u>	<u>_____</u>

**19.Contract liabilities**

	Closing balance	Currency: RMB Yuan Opening balance
Receipt in advance of order payment	<u>126,705,661.82</u>	<u>210,146,744.15</u>
Total	<u><u>126,705,661.82</u></u>	<u><u>210,146,744.15</u></u>

Contract liabilities are mainly receipts in advance collected by the Group from customers before fulfilling their performance obligations. Revenue related to the contract will be recognized when the Group fulfills its performance obligations. Normally, when the Group receives an advance payment from a client, it will generally meet its performance obligations and recognize revenue within 30 days.

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20.Employee benefits payable**

(1) are as follows:	Employee benefits payable			
	Opening balance	Increase	Decrease	Currency: RMB Yuan Closing balance
Short-term employee benefits	73,334,819.63	505,256,765.17	509,854,596.47	68,736,988.33
Defined contribution plan	-	58,804,380.67	58,804,380.67	-
Termination benefits	-	4,445,275.96	4,445,275.96	-
<b>Total</b>	<b>73,334,819.63</b>	<b>568,506,421.80</b>	<b>573,104,253.10</b>	<b>68,736,988.33</b>

(2) are as follows:	Short-term employee benefits			
	Opening balance	Increase	Decrease	Currency: RMB Yuan Closing balance
Salaries, bonuses, allowances and subsidies	70,794,851.52	437,160,111.38	442,561,933.67	65,393,029.23
Staff welfare	2,348,431.09	13,602,343.12	12,795,924.32	3,154,849.89
Social security contributions	-	30,387,703.90	30,387,703.90	-
Including: Medical insurance premiums	-	28,399,550.34	28,399,550.34	-
Work injury insurance premium	-	1,138,602.69	1,138,602.69	-
Maternity insurance premium	-	849,550.87	849,550.87	-
Housing funds	-	19,935,758.46	19,935,758.46	-
Union running costs and employee education costs	191,537.02	4,170,848.31	4,173,276.12	189,109.21
<b>Total</b>	<b>73,334,819.63</b>	<b>505,256,765.17</b>	<b>509,854,596.47</b>	<b>68,736,988.33</b>

(3) Defined contribution plan are as follows:	Currency: RMB Yuan			
	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	-	57,196,194.14	57,196,194.14	-
Unemployment insurance premium	-	1,608,186.53	1,608,186.53	-
<b>Total</b>	<b>-</b>	<b>58,804,380.67</b>	<b>58,804,380.67</b>	<b>-</b>

As at 31 December 2022, the Group had no arrears in the nature of remuneration payable to employees (31 December 2021: nil).

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****21.Taxes payable**

	Closing balance	Currency: RMB Yuan Opening balance
Value added tax	8,465,825.13	18,941,835.49
Excise tax	14,173,620.72	24,517,100.56
Corporate income tax	34,164,857.66	72,022,712.43
Individual income tax withheld	780,127.00	1,723,936.44
Urban maintenance and construction tax	1,347,723.05	2,678,004.36
Education surcharge	549,380.64	1,159,104.98
Local education surcharge	362,786.55	769,269.72
Others	40,818.91	26,387.41
	<u>59,885,139.66</u>	<u>121,838,351.39</u>
<b>Total</b>	<b>59,885,139.66</b>	<b>121,838,351.39</b>

**22.Other payables**

	Closing balance	Currency: RMB Yuan Opening balance
Other payables	102,563,944.81	72,156,628.68
	<u>102,563,944.81</u>	<u>72,156,628.68</u>
<b>Total</b>	<b>102,563,944.81</b>	<b>72,156,628.68</b>

	Closing balance	Currency: RMB Yuan Opening balance
Rent and property management fees accrued	11,248,679.47	13,898,288.72
Renovation expenses accrued	63,140,256.23	20,224,879.32
Advertisement expenses accrued	11,515,571.63	17,644,937.59
Other expenses accrued	9,961,766.20	16,120,560.13
Deposit	1,639,911.88	717,671.65
Dealer pledged deposit	-	272,361.13
Others	5,057,759.40	3,277,930.14
	<u>102,563,944.81</u>	<u>72,156,628.68</u>
<b>Total</b>	<b>102,563,944.81</b>	<b>72,156,628.68</b>

As at 31 December 2022, there were no significant other payables older than 1 year (31 December 2021: nil).

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****23.Current portion of non-current liabilities**

	Closing balance	Currency: RMB Yuan Opening balance
Lease liabilities due within 1 year	<u>351,516,900.54</u>	<u>215,037,794.03</u>
Total	<u><u>351,516,900.54</u></u>	<u><u>215,037,794.03</u></u>

**24.Other current liabilities**

	Closing balance	Currency: RMB Yuan Opening balance
Output VAT to be transferred	<u>13,670,511.44</u>	<u>21,980,739.83</u>
Total	<u><u>13,670,511.44</u></u>	<u><u>21,980,739.83</u></u>

With effect from 1 January 2020, the Group has applied the new revenue standard to show the output VAT portion of the advance receipts as the amount of VAT to be resold tax.

**25.Lease liabilities**

	2022	Currency: RMB Yuan 2021
Lease payments payable	<u>276,542,164.23</u>	<u>215,671,484.31</u>
Total	<u><u>276,542,164.23</u></u>	<u><u>215,671,484.31</u></u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****26.Accrued liabilities**

	Closing balance	Opening balance	Currency: RMB Yuan Reasons
Provision for returns	921,567.41	1,901,930.48	Provision for returns is made for sales of goods with sales return conditions. The Group makes provision for returns based on historical experience data and sales.
Store restoration obligations	<u>16,004,249.50</u>	<u>10,486,658.50</u>	Shop restoration obligations represent costs that the Group, as the lessee, expects to incur under the lease agreement to restore the leased assets to the condition agreed under the terms of the lease. The Group estimates restoration costs based on industry conditions and historical experience.
Total	<u>16,925,816.91</u>	<u>12,388,588.98</u>	

**27.Share capital**

	Opening balance	Movements during the year New shares issued	Currency: RMB Yuan Closing balance
Share capital	<u>400,010,000.00</u>	<u>-</u>	<u>400,010,000.00</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****28.Capital reserves**

	Opening balance	Increase	Decrease	Currency: RMB Yuan Closing balance
Share premium	4,403,792,844.63	-	-	4,403,792,844.63
Other capital reserves	(227.67)	-	-	(227.67)
Share-based payments included in the capital reserve	25,782,801.77	561,317.20	-	26,344,118.97
Shareholding system transformation	29,640,980.88	-	-	29,640,980.88
Total	<u>4,459,216,399.61</u>	<u>561,317.20</u>	-	<u>4,459,777,716.81</u>

**29.Other comprehensive income**

Accumulated balance of other comprehensive income attributable to owners of the parent in the consolidated balance sheet:

	Opening balance	Increase/decrease	Currency: RMB Yuan Closing balance
Exchange differences on translation of foreign currency financial statements	<u>(2,693,984.92)</u>	<u>6,687,238.92</u>	<u>3,993,254.00</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30.Surplus reserves**

	Opening balance	Increase	Decrease	Currency: RMB Yuan Closing balance
Statutory surplus reserves	179,210,032.06	20,794,967.94	-	200,005,000.00
Total	<u>179,210,032.06</u>	<u>20,794,967.94</u>	<u>-</u>	<u>200,005,000.00</u>

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required.

**31.Unappropriated profit**

	2022	Currency:RMB Yuan 2021
Balance at end of the prior year	1,830,833,254.42	640,739,650.62
Net profit attributable to shareholders of the parent company	729,241,946.67	1,301,768,398.86
Less: Appropriation to statutory surplus reserves	20,794,967.94	111,674,795.06
Distribution to shareholders	<u>800,020,000.00</u>	<u>-</u>
Balance at end of the current year	<u>1,739,260,233.15</u>	<u>1,830,833,254.42</u>

Note:

- 1) No balance adjustment of unappropriated profit at the beginning of the period was made in related to the application of new accounting standards and other relevant regulations.
- 2) No balance adjustment of unappropriated profit at the beginning of the period was made in related to changes in accounting policies.
- 3) No balance adjustment of unappropriated profit at the beginning of the period was made in related to significant accounting error correction.
- 4) No balance adjustment of unappropriated profit at the beginning of the period was made in related to changes in scope of business combination under the same control.
- 5) No balance adjustment of unappropriated profit at the beginning of the period was made in related to other adjustments.

## VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 32. Revenue

	2022		Currency: RMB Yuan 2021	
	Revenue	Cost	Revenue	Cost
Primary business	3,650,181,354.03	1,082,800,171.20	4,594,661,728.12	1,351,159,384.29
Other business	<u>31,393,058.65</u>	<u>29,472,295.09</u>	<u>28,068,052.36</u>	<u>29,391,773.38</u>
Total	<u>3,681,574,412.68</u>	<u>1,112,272,466.29</u>	<u>4,622,729,780.48</u>	<u>1,380,551,157.67</u>

Disaggregation of revenue from contracts with customers is as follows:

Reporting segments	Segment	Currency: RMB Yuan Total	
Type of major products:		3,681,574,412.68	3,681,574,412.68
Engagement diamond rings		2,902,464,272.49	2,902,464,272.49
Wedding diamond rings		713,611,440.73	713,611,440.73
Other accessories		34,105,640.81	34,105,640.81
Other businesses		31,393,058.65	31,393,058.65
Area:		3,681,574,412.68	3,681,574,412.68
Mainland		3,674,302,626.84	3,674,302,626.84
Overseas		7,271,785.84	7,271,785.84
Time of income recognition		3,681,574,412.68	3,681,574,412.68
Income recognized at a point in time		3,681,574,412.68	3,681,574,412.68
Sales channel		3,681,574,412.68	3,681,574,412.68
Self-operated business		3,681,574,412.68	3,681,574,412.68
Total		<u>3,681,574,412.68</u>	<u>3,681,574,412.68</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Information about the Group's performance obligations is summarized below:

Under the self-operated business, the customer completes the fulfillment obligation when receiving the goods. Under normal circumstances, for stores directly operated, the goods are delivered within 30 days after receiving the contract price; For mall associates and e-commerce, the contract price is usually received within 15-60 days after delivery. The customer has the right to return the product within 15 days after receiving it, so it is necessary to estimate the return rate based on the historical sales situation and calculate the provision for return, which is detailed in Note VII.26.

The amount of revenue corresponding to performance obligations that have been contracted for but not yet performed or not yet completed at the end of the reporting period is RMB126,705,661.82.

**33.Taxes and surcharges**

	2022	Currency: RMB Yuan 2021
Excise tax	161,139,856.39	203,753,443.40
Urban maintenance and construction tax	21,999,220.70	28,155,573.23
Education surcharge	9,396,015.92	12,142,841.53
Resource tax	-	-
Property tax	-	-
Land use tax	-	-
Vehicle use tax	240.00	3,965.00
Stamp tax	2,556,251.77	3,036,410.62
Local education surcharge	6,264,009.84	8,095,227.28
Others	4,300.00	150.00
	<u>201,359,894.62</u>	<u>255,187,611.06</u>
Total	<u>201,359,894.62</u>	<u>255,187,611.06</u>

**34.Selling expenses**

	2022	Currency: RMB Yuan 2021
Wages and salaries	474,286,451.10	388,931,056.98
Marketing and professional service expenses	342,192,475.64	331,584,427.26
Depreciation and amortization	433,607,701.53	296,660,541.66
Rents excluded in the lease liabilities	37,374,018.79	80,853,973.32
Property management and utility expenses	57,143,404.37	40,621,864.37
Platform commissions	19,859,964.05	31,772,382.68
Administrative expenses	26,456,827.29	18,307,182.94
Traveling expenses	9,990,373.37	8,160,359.06
Packaging expenses	3,421,251.49	6,124,592.74
Courier expenses	3,204,581.15	4,026,001.70
Others	14,500,488.72	10,869,169.36
	<u>1,422,037,537.50</u>	<u>1,217,911,552.07</u>
Total	<u>1,422,037,537.50</u>	<u>1,217,911,552.07</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****35.Administrative expenses**

	Currency: RMB Yuan	
	2022	2021
Wages and salaries	79,373,604.27	74,199,564.90
Input tax not deductible for intra-group transactions	34,246,969.57	54,886,573.93
Depreciation and amortization	20,269,089.25	16,639,125.45
Professional agency service expenses	12,916,862.65	8,568,620.05
Office expenses	5,786,187.86	5,839,457.67
Rent, property management and utility expenses	4,008,808.69	3,661,626.55
Traveling expenses	2,344,355.77	1,386,931.20
Share-based payment expenses	561,317.20	4,091,695.24
Others	4,698,682.61	3,556,692.88
Total	<u>164,205,877.87</u>	<u>172,830,287.87</u>

**36.Research and development expenses**

	Currency: RMB Yuan	
	2022	2021
Wages and salaries	14,846,366.43	13,585,335.70
Commissioned development service expenses	2,294,282.27	500,000.00
Software expenses	-	1,999,140.78
Depreciation and amortization	544,874.10	536,909.52
Others	258,609.57	200,656.92
Total	<u>17,944,132.37</u>	<u>16,822,042.92</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****37.Finance expenses**

	2022	Currency: RMB Yuan 2021
Interest expenses	23,830,354.96	12,331,582.92
Less: Interest income	21,912,750.27	7,845,026.93
Foreign exchange differences	1,548,872.47	(718,861.97)
Bank charges	<u>18,070,277.31</u>	<u>22,147,272.41</u>
Total	<u>21,536,754.47</u>	<u>25,914,966.43</u>

**38.Other income**

	2022	Currency: RMB Yuan 2021
Government grants related to routine activities	23,433,558.47	11,022,474.28
VAT levied and refunded (Note 1)	15,833,085.31	21,586,542.12
Tax benefits (Note 2)	162,770.75	150,631.39
Others	<u>348,258.47</u>	<u>303,022.94</u>
Total	<u>39,777,673.00</u>	<u>33,062,670.73</u>

Note 1: According to the Notice of the General Administration of Customs of the Ministry of Finance and the State Administration of Taxation on Adjusting the Relevant Tax Policies of the Diamond and Shanghai Diamond Exchange (Cai Shui [2006] No. 65), polished diamonds imported through the customs declaration of the competent customs of the Diamond Exchange shall be levied and refunded immediately if the actual VAT burden exceeds 4% at the import stage. Shanghai Darry, a subsidiary of the Company, has the membership of the Shanghai Diamond Exchange and enjoys the tax treatment of immediate refund for the part of the actual VAT burden in the import process exceeding 4%.

Note 2: According to the Announcement of the State Administration of Taxation on the Exemption of Small-scale Taxpayers from VAT Collection and Administration (SAT Announcement No. 5 [2021]), small-scale taxpayers who engage in VAT taxable sales and their total monthly sales do not exceed RMB150,000 (or RMB450,000 if one quarter is a tax period). Some of the company's branches are small-scale taxpayers and meet the above standards, and will be exempt from VAT in 2022.

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****39.Investment income**

	Currency:RMB Yuan	
	2022	2021
Investment income earned during the holding period of debt investment	17,693,148.47	12,670,534.30
Investment income received from disposal of held-for-trading financial assets	<u>71,309,897.15</u>	<u>28,959,209.85</u>
Total	<u>89,003,045.62</u>	<u>41,629,744.15</u>

**40.Gains from changes in fair value**

	Currency: RMB Yuan	
	2022	2021
Financial assets held for trading	<u>39,294,362.36</u>	<u>17,567,673.68</u>
Total	<u>39,294,362.36</u>	<u>17,567,673.68</u>

**41.Credit impairment losses**

	Currency: RMB Yuan	
	2022	2021
Impairment loss for other receivables	(1,905,000.00)	-
Impairment loss for accounts receivable	3,698,479.08	(2,021,003.07)
Impairment loss for non-current assets due within one year	<u>-</u>	<u>(358,191.14)</u>
Total	<u>1,793,479.08</u>	<u>(2,379,194.21)</u>

**42.Impairment losses of assets**

	Currency:RMB Yuan	
	2022	2021
Impairment loss for inventories	(4,237,633.79)	(4,741,845.92)
Impairment loss for other assets	<u>(24,183,140.90)</u>	<u>(5,411,520.39)</u>
Total	<u>(28,420,774.69)</u>	<u>(10,153,366.31)</u>

In 2022, RMB-24,183,140.90 impairment loss for other assets includes impairment loss of RMB-5,680,172.80 long-term amortization expense and RMB-18,502,968.10 impairment loss of right-of-use assets;

In 2021, RMB-5,411,520.39 impairment loss for other assets is the impairment loss of right-of-use assets.

**43.Gains/loss on disposal of non-current assets**

	Currency: RMB Yuan	
	2022	2021
Gain or loss on disposal of fixed assets	<u>1,244,949.25</u>	<u>(732,715.39)</u>

**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****44. Non-operating income**

	Currency: RMB Yuan	
	2022	2021
Indemnity	1,166,242.21	1,132,491.79
Others	<u>70,848.25</u>	<u>26,331.52</u>
Total	<u>1,237,090.46</u>	<u>1,158,823.31</u>

**45. Non-operating expenses**

	Currency: RMB Yuan	
	2022	2021
Liquidated damages and late fees	582,566.17	1,506,155.30
Others	<u>185,867.41</u>	<u>551,089.19</u>
Total	<u>768,433.58</u>	<u>2,057,244.49</u>

**46. Income tax expenses**

	Currency: RMB Yuan	
	2022	2021
Current tax	155,414,780.78	325,543,518.22
Deferred tax	<u>722,413.61</u>	<u>4,307,243.70</u>
Total	<u>156,137,194.39</u>	<u>329,850,761.92</u>

**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****46. Income tax expenses (continued)**

The reconciliation between income tax expenses and profit/(loss) before income tax is as follows:

	Currency: RMB Yuan 2022
Profit/(loss) before income tax	885,379,141.06
Tax at the applicable tax rate	221,344,785.34
Effect of different tax rates for some subsidiaries	(66,104,852.38)
Adjustments to current tax in respect of prior periods	2,011,256.23
Effect of non-taxable income	-
Expenses not deductible for tax	654,459.45
Tax losses utilized from previous periods	(286,039.12)
Unrecognised deductible temporary differences and tax losses	558,840.92
R&D expenses are super-deducted	(2,041,246.37)
Effect on opening deferred tax of change in the tax rate	(9.68)
	<hr/>
Tax charge at the Group's effective tax rate	<u><u>156,137,194.39</u></u>

Note: The income tax of the Group has been provided at the applicable rate on the estimated assessable taxable profits arising in Mainland China. Income taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, in accordance with existing laws, interpretations and practices.

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****47.Other comprehensive income**

Refer to VII 29

**48.Notes to cash flow statement****Supplement to cash flow statement**

	Currency: RMB Yuan	
	2022	2021
<b>(1) Proceeds relating to other operating activities:</b>		
Repossession of store renovation and other deposits	8,835,864.26	4,356,081.61
Recover platform commission rebates	4,325,330.25	-
Bank interest income	20,667,425.02	9,056,564.18
Government grants	23,433,558.47	11,022,474.28
Others	5,393,076.90	951,900.21
	<u>62,655,254.90</u>	<u>25,387,020.28</u>
Total		
<b>(2) Other cash payments relating to operating activities:</b>		
Payment of rent, property management and utility expenses	82,717,265.80	98,502,665.53
Payment of marketing expenses	352,347,629.80	339,435,974.58
Payment of office and travel expenses	44,110,164.16	36,153,786.85
Payment of courier expenses	10,942,674.44	15,050,352.27
Payment of packaging expenses	37,612,628.87	29,979,883.57
Payment of card fee	18,070,277.46	22,147,272.40
Payment of renovation and other deposits	10,025,830.66	1,255,299.95
Payment of consultation and testing	44,946,232.79	23,899,809.76
Payment of commissions to e-commerce platforms	21,387,218.80	33,867,656.49
Others	5,651,697.95	27,511,941.82
	<u>627,811,620.73</u>	<u>627,804,643.22</u>
Total		
<b>(3) Proceeds relating to other investing activities</b>		
Withholding and paying dividend tax	-	-
Total	<u>-</u>	<u>-</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****48.Notes to cash flow statement (continued)****Supplement to cash flow statement (continued)**

	2022	Currency: RMB Yuan 2021
<b>(4) Proceeds relating to other investing activities</b>		
Withholding and paying dividend tax	-	-
Total	-	-
<b>(5) Proceeds relating to other financing activities</b>		
		Currency: RMB Yuan
Returned rental deposit	5,435,963.01	5,483,723.60
Withholding and paying dividend tax	5,264,759.99	-
Total	10,700,723.00	5,483,723.60
<b>(6) Other cash payments relating to financing activities</b>		
Payment of listing service fee	-	6,354,514.54
Payment of fixed rent	335,781,536.76	241,234,928.05
Rental deposit paid	30,357,327.43	30,220,292.89
Payments made for the acquisition of minority stakes in subsidiaries	-	35,477.77
Withholding and paying dividend tax	5,264,759.99	-
Total	371,403,624.18	277,845,213.25

## VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 49. Notes to cash flow statement

## Supplement to cash flow statement (continued)

## (1) Reconciliation of profit/(loss) to cash flows from operating activities:

	Currency: RMB Yuan	
	2022	2021
Profit	729,241,946.67	1,301,757,792.01
Add: Impairment losses on assets	28,420,774.69	10,153,366.31
Depreciation of fixed assets	3,974,151.64	1,977,535.10
Depreciation of right-of-use assets	355,607,929.93	252,130,105.39
Amortisation of intangible assets	2,940,850.52	2,352,628.02
Amortisation of long-term prepaid expenses	91,898,732.79	57,376,308.12
Loss on disposal of fixed assets, intangible assets and other long-term assets and loss of retirement of fixed assets	(1,244,949.25)	732,715.39
Loss on disposal of fixed assets	-	-
Gains / losses from changes in fair value	(39,294,362.36)	(17,567,673.68)
Finance expenses	24,133,902.03	12,824,258.20
Investment income	(89,003,045.62)	(41,629,744.15)
Decrease/(increase) in deferred tax assets	(3,425,426.97)	271,076.73
Increase in deferred tax liabilities	4,146,880.41	4,037,714.27
Increase in inventories	(229,917,478.98)	(147,587,357.77)
Increase in operating receivables	861,877.87	(35,773,305.98)
Increase in operating payables	(63,635,737.18)	132,985,401.31
Others	3,305,066.05	10,172,031.44
Net cash flows from operating activities	<u>818,011,112.24</u>	<u>1,544,212,850.71</u>
Closing balance of cash	521,625,030.62	4,741,510,453.45
Less: Opening balance of cash	4,741,510,453.45	181,495,843.19
Net increase in cash and cash equivalents	<u>(4,219,885,422.83)</u>	<u>4,560,014,610.26</u>

**VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****49.Notes to cash flow statement (continued)****(2) Cash and cash equivalents**

		Currency: RMB Yuan	
		2022	2021
Cash	521,625,030.62	4,741,510,453.45	
Including: Cash on hand	391,749.23	260,691.68	
Bank deposits on demand	512,798,797.26	4,737,174,517.72	
Other currency funds on demand	8,434,484.13	4,075,244.05	
Cash and cash equivalents at end of year	<u>521,625,030.62</u>	<u>4,741,510,453.45</u>	
Including: restricted cash and cash equivalents held by parents and subsidiaries	-	-	

**50.Foreign currency monetary items**

	Document currency	Change in USD rate	Currency: RMB Yuan Translated into RMB
Currency funds			
USD	6,754,306.75	6.9646	47,041,044.79
EUR	245,311.60	7.4229	1,820,923.48
HKD	472,553.50	0.8933	422,132.04
Accounts receivable			
USD	586.47	6.9646	4,084.53
HKD	902,861.47	0.8933	806,526.15
Accounts payable			
USD	56,794.80	6.9646	395,553.06
HKD	263,156.96	0.8933	235,078.11
Other payables			
HKD	222,747.36	0.8933	198,980.22
EUR	67,151.88	7.4229	498,461.69

Note: Foreign currency monetary items refer to non-RMB monetary items.

## VII.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 51.Government grants

Government grants related to routine activities:

Related to asset/income	Amount	Program	Currency: RMB Yuan Amount recognized in current period
Related to income	10,000,000.00	Shenzhen Municipal Bureau of Commerce 2022 Consumption Promotion Support Program Retail Sales (Turnover) Growth Incentive Program	10,000,000.00
Related to income	3,500,000.00	Shenzhen Bureau of Industry and Information Technology Quality Brand Double Enhancement Project Support Program	3,500,000.00
Related to income	3,000,000.00	Shenzhen fashion industry support	3,000,000.00
Related to income	1,500,000.00	Private and small and medium-sized enterprises innovation development cultivation support program	1,500,000.00
Related to income	1,402,600.00	Shenzhen headquarters enterprise support	1,402,600.00
Related to income	1,123,642.91	Subsidies for post stabilisation	1,123,642.91
Related to income	634,293.65	Retention allowance	634,293.65
Related to income	500,000.00	Relief Policy - Retail enterprises to open e-commerce stores subsidy program	500,000.00
Related to income	305,000.00	Special fund support for industrial transformation and upgrading in Luohu District	305,000.00
Related to income	300,000.00	Special funds for industrial development	300,000.00
Related to income	228,007.26	Individual tax refund	228,007.26
Related to income	200,000.00	High-tech enterprises are cultivated into storage	200,000.00
Related to income	200,000.00	Luohu District, Shenzhen City for help enterprises benefit the people to bail out "ten measures"	200,000.00
Related to income	164,500.00	Job expansion subsidies	164,500.00
Related to income	324,916.64	Employment subsidies	324,916.64
Related to income	50,000.00	Relief Policy - Accommodation and catering and wholesale and retail enterprises subsidy program	50,000.00
Related to income	598.01	Others	598.01

## VIII. Changes in scope of consolidation

### Changes in scope of consolidation caused by other reasons

During the reporting period, the following important new subsidiaries were established:

Name	The purpose of the establishment	The way to changes of scopes of consolidation	Impact on overall performance
Xiamen DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shenyang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Tianjin DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Chengdu DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Kunming DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shanghai DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Suzhou Zhongzuan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Jinan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shenzhen DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Beijing Zhongzuan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Suzhou DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shenyang DR Jewelry Accessories Co., Ltd.	Business needs	New in 2022	Not significant
Hangzhou DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Beijing DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Wuhan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Wuhan Zhongzuan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Xi'an DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Chengdu DR True Love Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Ningbo DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Beijing Huazuan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Chongqing DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Hangzhou DR True Love Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Henan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Xi'an DR Jewelry and Accessories Co., Ltd	Business needs	New in 2022	Not significant
Zhengzhou DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shenzhen DR Jewelry Headware Co., Ltd	Business needs	New in 2022	Not significant
Shenzhen DR Jewelry and Accessories Co., Ltd	Business needs	New in 2022	Not significant
Changsha DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shanghai DR Jewelry headware Co., Ltd	Business needs	New in 2022	Not significant
Shanghai DR Jewelry Sales Co., Ltd	Business needs	New in 2022	Not significant
Zhoukou DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Yiwu DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Heze DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Dongguan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Xining DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Linyi DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Yinchuan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Weifang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Nanchang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Jining DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Mianyang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Fuyang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Shangqiu DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Urumqi DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Handan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Baoding DR Jewelry Sales Co., Ltd	Business needs	New in 2022	Not significant
Guangzhou DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Guiyang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Langfang DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Haoduo Diamond Zhizao (Shenzhen) Co., Ltd.	Business needs	New in 2022	Not significant
Foshan DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant
Jiaxing DR Jewelry Co., Ltd	Business needs	New in 2022	Not significant

All of the above are subsidiaries, except for the above-mentioned Haoduo Diamond Zhizao (Shenzhen) Co., Ltd. is sub-subsidiary.

## IX. Equity in other entities

### 1. Equity in subsidiaries

(1) The subsidiaries acquired by the Group through establishment are as follows:

Name of the subsidiary	Place of incorporation	Nature of business	Ownership interest (%)		Mode of acquisition
			Direct	Indirect	
DR Group Company Limited	Hong Kong	Store sales in Hong Kong and overseas loose stone procurement	-	100	Set up
Shanghai Darry Diamond Co., Ltd	Shanghai	Member of Shanghai Diamond Exchange, responsible for the procurement and customs declaration of overseas loose stone	100	-	Set up
Chongqing Darry Jewelry Co., Ltd	Chongqing	Store sales in Chongqing	100	-	Set up
Shenzhen Love Only AI Cloud Technology Co., Ltd.	Shenzhen	Information Technology Services & Brand operation services	100	-	Set up
Couple Only (Shenzhen) Jewelry Co., Ltd.	Shenzhen	Sub-brand cultivation Supply chain management, R&D design, customized product services and related supporting services	100	-	Set up
Shenzhen Darry Commercial Management Service Co., Ltd	Shenzhen	Sub-brand cultivation	100	-	Set up
DARRY JEWELRY (HK) LIMITED	Hong Kong	Sub-brand cultivation	-	100	Set up
Couple Only Jewelry HongKong Company Limited	Hong Kong	Sub-brand cultivation	-	100	Set up
DR Jewelry	France	Regional sales in France	-	100	Set up
He'er Culture (Shenzhen) Co., Ltd	Shenzhen	Sub-brand cultivation, Creative planning services	100	-	Set up
Haoduo Diamond (Shenzhen) Co., Ltd	Shenzhen	Responsible for domestic bare stone procurement	100	-	Set up
Xiamen DR Jewelry Co., Ltd	Xiamen	Store sales in Xiamen	100	-	Newly set up
Shenyang DR Jewelry Co., Ltd	Shenyang	Store sales in Shenyang	100	-	Newly set up
Tianjin DR Jewelry Co., Ltd	Tianjin	Store sales in Tianjin	100	-	Newly set up
Chengdu DR Jewelry Co., Ltd	Chengdu	Store sales in Chengdu	100	-	Newly set up
Kunming DR Jewelry Co., Ltd	Kunming	Store sales in Kunming	100	-	Newly set up
Shanghai DR Jewelry Co., Ltd	Shanghai	Store sales in Shanghai	100	-	Newly set up

## IX. Equity in other entities (continued)

### 1. Equity in subsidiaries (continued)

Name of the subsidiary	Place of incorporation	Nature of business	Ownership interest (%)		Mode of acquisition
			Direct	Indirect	
Suzhou Zhongzuan DR Jewelry Co., Ltd	Suzhou	Store sales in Suzhou	100	-	Newly set up
Jinan DR Jewelry Co., Ltd	Jinan	Store sales in Jinan	100	-	Newly set up
Shenzhen DR Jewelry Co., Ltd	Shenzhen	Store sales in Shenzhen	100	-	Newly set up
Beijing Zhongzuan DR Jewelry Co., Ltd	Beijing	Store sales in Beijing	100	-	Newly set up
Suzhou DR Jewelry Co., Ltd	Suzhou	Store sales in Suzhou	100	-	Newly set up
Shenyang DR Jewelry Accessories Co., Ltd.	Shenyang	Store sales in Shenyang	100	-	Newly set up
Hangzhou DR Jewelry Co., Ltd	Hangzhou	Store sales in Hangzhou	100	-	Newly set up
Beijing DR Jewelry Co., Ltd	Beijing	Store sales in Beijing	100	-	Newly set up
Wuhan DR Jewelry Co., Ltd	Wuhan	Store sales in Wuhan	100	-	Newly set up
Wuhan Zhongzuan DR Jewelry Co., Ltd	Wuhan	Store sales in Wuhan	100	-	Newly set up
Xi'an DR Jewelry Co., Ltd	Xi'an	Store sales in Xi'an	100	-	Newly set up
Chengdu DR True Love Jewelry Co., Ltd	Chengdu	Store sales in Chengdu	100	-	Newly set up
Ningbo DR Jewelry Co., Ltd	Ningbo	Store sales in Ningbo	100	-	Newly set up
Beijing Huazuan DR Jewelry Co., Ltd	Beijing	Store sales in Beijing	100	-	Newly set up
Chongqing DR Jewelry Co., Ltd	Chongqing	Store sales in Chongqing	100	-	Newly set up
Hangzhou DR True Love Jewelry Co., Ltd	Hangzhou	Store sales in Hangzhou	100	-	Newly set up
Henan DR Jewelry Co., Ltd	Henan	Store sales in Henan	100	-	Newly set up
Xi'an DR Jewelry and Accessories Co., Ltd	Xi'an	Store sales in Xi'an	100	-	Newly set up
Zhengzhou DR Jewelry Co., Ltd	Zhengzhou	Store sales in Zhengzhou	100	-	Newly set up
Shenzhen DR Jewelry Accessories Co., Ltd	Shenzhen	Store sales in Shenzhen	100	-	Newly set up
Shenzhen DR Jewelry Ornament Co., Ltd	Shenzhen	Store sales in Shenzhen	100	-	Newly set up
Changsha DR Jewelry Co., Ltd	Changsha	Store sales in Changsha	100	-	Newly set up
Shanghai DR Jewelry headware Co., Ltd	Shanghai	Store sales in Shanghai	100	-	Newly set up
Shanghai DR Jewelry Sales Co., Ltd	Shanghai	Store sales in Shanghai	100	-	Newly set up
Zhoukou DR Jewelry Co., Ltd	Zhoukou	Store sales in Zhoukou	100	-	Newly set up
Yiwu DR Jewelry Co., Ltd	Yiwu	Store sales in Yiwu	100	-	Newly set up
Heze DR Jewelry Co., Ltd	Heze	Store sales in Heze	100	-	Newly set up
Dongguan DR Jewelry Co., Ltd	Dongguan	Store sales in Dongguan	100	-	Newly set up
Xining DR Jewelry Co., Ltd	Xining	Store sales in Xining	100	-	Newly set up
Linyi DR Jewelry Co., Ltd	Linyi	Store sales in Linyi	100	-	Newly set up
Yinchuan DR Jewelry Co., Ltd	Yinchuan	Store sales in Yinchuan	100	-	Newly set up
Weifang DR Jewelry Co., Ltd	Weifang	Store sales in Weifang	100	-	Newly set up
Nanchang DR Jewelry Co., Ltd	Nanchang	Store sales in Nanchang	100	-	Newly set up
Jining DR Jewelry Co., Ltd	Jining	Store sales in Jining	100	-	Newly set up
Mianyang DR Jewelry Co., Ltd	Mianyang	Store sales in Mianyang	100	-	Newly set up
Fuyang DR Jewelry Co., Ltd	Fuyang	Store sales in Fuyang	100	-	Newly set up
Shangqiu DR Jewelry Co., Ltd	Shangqiu	Store sales in Shangqiu	100	-	Newly set up
Urumqi DR Jewelry Co., Ltd	urumchi	Store sales in Urumqi	100	-	Newly set up
Handan DR Jewelry Co., Ltd	Handan	Store sales in Handan	100	-	Newly set up
Baoding DR Jewelry Sales Co., Ltd	Baoding	Store sales in Baoding	100	-	Newly set up
Guangzhou DR Jewelry Co., Ltd	Guangzhou	Sold in stores in Guangzhou	100	-	Newly set up
Guiyang DR Jewelry Co., Ltd	Guiyang	Sold in stores in Guiyang	100	-	Newly set up
Langfang DR Jewelry Co., Ltd	Langfang	Store sales in Langfang	100	-	Newly set up
Haoduo Diamond Zhizao (Shenzhen) Co., Ltd.	Shenzhen	Rough diamond cut production	-	100	Newly set up
Foshan DR Jewelry Co., Ltd	Foshan	Sold in stores in Foshan	100	-	Newly set up
Jiaxing DR Jewelry Co., Ltd	Jiaxing	Store sales in Jiaxing	100	-	Newly set up

**X. FINANCIAL INSTRUMENTS AND RELATED RISKS****1. Financial instruments by category**

Carrying amounts of various financial instruments at the balance sheet date are as follows:

2022

## Financial assets

	Financial assets at fair value through profit or loss <u>Required by the Standards</u>	Financial assets at amortised cost	Total
Currency funds	-	521,904,818.30	521,904,818.30
Accounts receivable	-	84,478,911.52	84,478,911.52
Other receivables	-	2,378,589.22	2,378,589.22
Financial assets held for trading	5,609,891,931.68	-	5,609,891,931.68
Other current assets	-	31,378,714.16	31,378,714.16
Debt investments	-	794,553,996.36	794,553,996.36
Current portion of non-current assets	-	106,967,867.16	106,967,867.16
Other non-current assets	-	85,419,135.39	85,419,135.39
<b>Total</b>	<u>5,609,891,931.68</u>	<u>1,627,082,032.11</u>	<u>7,236,973,963.79</u>

## Financial liabilities

	Financial assets at amortised cost
Short-term borrowings	433,993,449.44
Notes payable	466,527,730.97
Accounts payable	86,880,869.77
Other payables	102,563,944.81
Provisions	16,004,249.50
<b>Total</b>	<u>1,105,970,244.49</u>

**X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)****1. Financial instruments by category (continued)**

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

2021

## Financial assets

	Financial assets at fair value through profit or loss Required by the Standards	Financial assets at amortised cost	Total
Currency funds	-	4,741,510,453.45	4,741,510,453.45
Accounts receivable	-	174,880,676.50	174,880,676.50
Other receivables	-	6,135,138.17	6,135,138.17
Financial assets held for trading	1,824,097,569.32	-	1,824,097,569.32
Debt investments	-	218,585,379.05	218,585,379.05
Current portion of non-current assets	-	192,823,541.46	192,823,541.46
Other non-current assets	-	57,947,281.39	57,947,281.39
<b>Total</b>	<b><u>1,824,097,569.32</u></b>	<b><u>5,391,882,470.02</u></b>	<b><u>7,215,980,039.34</u></b>

## Financial liabilities

	Financial assets at amortised cost
Notes payable	341,669,947.83
Accounts payable	113,777,232.26
Other payables	72,156,628.68
Provisions	<u>10,486,658.50</u>
<b>Total</b>	<b><u>538,090,467.27</u></b>

## **X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)**

### **2.Risks of financial instruments**

The Group is exposed to various financial instrument risks in its day-to-day activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk). The Group's principal financial instruments include monetary funds, accounts receivable, other receivables, trading financial assets, debt investments, other current and non-current assets and short-term borrowings, notes payable and accounts payable, other payables and projected liabilities. Risks associated with these financial instruments and policies of the risk management to lowering the risks of the Group are summarised below.

The Board is responsible for planning and establishing the Group's risk management structure, formulating the Group's risk management policies and relevant guidelines and overseeing the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks to which the Group is exposed, which clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to decide whether to update its risk management policies and systems. Risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board. The Risk Management Committee identifies, evaluates and mitigates relevant risks through close cooperation with other business units of the Group. The Group's internal audit department conducts regular audits of risk management controls and procedures and reports the results to the Group's Audit Committee.

The Group diversifies the risk of financial instruments through appropriate diversification of investment and business portfolio, and reduces the risk of concentration on specific counterparties by formulating appropriate risk management policies.

#### **Credit risk**

The Group trades only with recognised and creditworthy third parties. According to the Group's policy, all customers who require credit transactions are required to conduct a credit review. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant bad debt risks.

These financial instruments have low credit risk because the counterparties of monetary funds and tradable financial assets are reputable banks with high credit ratings.

Other financial assets of the Group include accounts receivable and other receivables whose credit risk derives from counterparty defaults and whose maximum exposure is equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit risk is centrally managed by industry. As at 31 December 2022, the Group had a specific credit risk concentration and 73.07% of the Group's accounts receivable (31 December 2021: 71.23%) were collected by the shopping malls.

## **X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)**

## 2.Risks of financial instruments (continued)

### Credit risk (continued)

#### *Determination of significant increase in credit risk*

At each balance sheet date, the Group assesses whether the credit risk on the relevant financial instruments has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including qualitative and quantitative analysis based on historical data of the Group, external credit risk ratings and forward-looking information. Based on a single financial instrument or portfolio of financial assets with similar credit risk characteristics, the Group determines expected changes in default risk within the duration of financial instruments through comparing the default risk occur at the balance sheet date with the one occur at the date of initial recognition.

The Group determines that the credit risk of financial instruments has significantly increased when one or more of the following quantitative or qualitative criteria below are met:

- (1) Quantitative criteria are mainly the probability of default for the remaining duration of the reporting date increasing by more than a certain percentage since initial recognition;
- (2) Qualitative criteria are mainly the significant detrimental changes in the borrower's operating or financial conditions, and early warning customer lists, etc.

#### *Definition of credit-impaired financial assets*

In assessing whether a financial asset is credit-impaired, the Group considers both quantitative and qualitative indicators and adopts the standard of determination in line with internal credit risk management goal of the relevant financial instruments. The Group assesses whether a financial asset is credit-impaired by considering the following factors:

- (1) significant financial difficulty of the borrower or issuer;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (4) it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- (5) the disappearance of an active market for a security because of financial difficulties of the issuer or borrower; or
- (6) Financial assets purchased or sourced at large discounts indicating credit losses have occurred.

The impairment of financial assets may not be necessarily due to a single discrete event, the combined effects of multiple events may result in financial assets being credit-impaired.

**X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)****2.Risks of financial instruments (continued)****Liquidity risk**

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of the financial instruments and projected cash flows from operations.

As at 31 December 2022, the Group had no debt maturing for more than 1 year (31 December 2021: nil).

The tables below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

**Financial liabilities and lease liabilities**

2022	Within 1 year	1-3 years	3 to 5 years	Over 5 years	Total
Short-term borrowings	433,993,449.44	-	-	-	433,993,449.44
Notes payable	466,527,730.97	-	-	-	466,527,730.97
Accounts payable	86,880,869.77	-	-	-	86,880,869.77
Other payables	102,563,944.81	-	-	-	102,563,944.81
Provisions	7,025,902.00	5,636,047.50	2,263,200.00	1,079,100.00	16,004,249.50
Current portion of non-current liabilities	351,516,900.54	-	-	-	351,516,900.54
Lease liabilities	-	256,890,726.07	17,947,797.81	1,703,640.35	276,542,164.23
<b>Total</b>	<b>1,448,508,797.53</b>	<b>262,526,773.57</b>	<b>20,210,997.81</b>	<b>2,782,740.35</b>	<b>1,734,029,309.26</b>
2021	Within 1 year	1-3 years	3 to 5 years	Over 5 years	Total
Notes payable	341,669,947.83	-	-	-	341,669,947.83
Accounts payable	113,777,232.26	-	-	-	113,777,232.26
Other payables	72,156,628.68	-	-	-	72,156,628.68
Provisions	4,233,064.50	3,221,544.00	2,278,200.00	753,850.00	10,486,658.50
Current portion of non-current liabilities	224,036,789.74	-	-	-	224,036,789.74
Lease liabilities	-	208,742,353.74	18,546,887.65	117,954.70	227,407,196.09
<b>Total</b>	<b>755,873,663.01</b>	<b>211,963,897.74</b>	<b>20,825,087.65</b>	<b>871,804.70</b>	<b>989,534,453.10</b>

**X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)****2.Risks of financial instruments (continued)****Market risk**Currency risk

The Group is exposed to transactional exchange rate risk resulting from sales or purchases made by business units in currencies other than their base currency. In FY2022, approximately 0.18% (2021: 0.12%) of the Group's sales were denominated in currencies other than the basic accounting currency of the operating units in which the sales occurred, while approximately 0.22% (2021: 0.14%) of the cost was denominated in currencies other than the basic currency of account of the operating units. The Group does not engage in foreign exchange hedging.

The table below presents a sensitivity analysis of exchange rate risk, reflecting the impact that a reasonably possible change in the exchange rates of the USD, EUR and HKD would have on net income or loss (due to changes in the fair value of monetary assets and monetary liabilities) and other comprehensive income, net of tax, assuming all other variables remain constant.

2022

	Change in USD rate Increase/ (decrease)	Net profit/loss Increase/ (decrease)	Net other comprehensive income after tax Increase/ (decrease)	Total shareholders' equity Increase/ (decrease)
If RMB weakens against USD	3%	1,233,808.76	-	1,233,808.76
If RMB strengthens against USD	(3%)	(1,233,808.76)	-	(1,233,808.76)

2021

	Change in USD rate Increase/ (decrease)	Net profit/loss Increase/ (decrease)	Net other comprehensive income after tax Increase/ (decrease)	Total shareholders' equity Increase/ (decrease)
If RMB weakens against USD	3%	2,043,987.72	-	2,043,987.72
If RMB strengthens against USD	(3%)	(2,043,987.72)	-	(2,043,987.72)

**X. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)****3. Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages and adjusts its capital structure in response to changes in the economic situation and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not bound by any externally imposed capital requirements. In 2022 and 2021, the capital management objectives, policies or procedures remain unchanged.

The Group monitors capital using the debt-to-asset ratio, which is total liabilities divided by total assets. It is the Group's policy to maintain a reasonable gearing ratio. The Group's debt-to-asset ratio at the end of the reporting period was as follows:

	2022	2021
Total assets	<u>8,815,748,380.27</u>	<u>8,269,184,150.24</u>
Total liabilities	<u>2,012,702,176.31</u>	<u>1,402,608,449.07</u>
Debt-to-asset ratio	<u>22.83%</u>	<u>16.96%</u>

**XI. Fair value****1. Assets and liabilities measured at fair value**

2022

	Closing balance			RMB Total
	Fair value measurements within Level 1	Fair value measurements within Level 2	Fair value measurements within Level 3	
Recurring fair value measurements				
Financial assets held for trading trading		5,609,891,931.68	-	5,609,891,931.68
Financial assets at fair value through profit or loss	-	5,609,891,931.68	-	5,609,891,931.68
Non-recurring fair value measurements	-	-	-	-

**2. Basis of determining the market prices of recurring and non-recurring measurements within Level 1**

No recurring and non-recurring measurements within Level 1 at the end of the reporting period .

**3. Qualitative and quantitative information on the valuation techniques used and significant parameters in recurring and non-recurring measurements within Level 2.**

Financial assets at fair value through profit or loss are bank financial products with fair value determined using expected future cash flows expected to be available in the market and discounted at an interest rate determined based on the best estimate of the expected level of risk.

**4. Qualitative and quantitative information on the valuation techniques used and significant parameters in recurring and non-recurring measurements within Level 3**

No recurring and non-recurring measurements within Level 3 at the end of the reporting period.

**5. Reconciliation information between opening and closing carrying values and sensitivity analysis of unobservable parameters in recurring measurements within Level 3.**

N/A

**6. For items measured at fair value on a recurring basis, disclose the amounts of any transfers between different levels of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred.**

No transfers between different levels occurred during the reporting period.

**XI. Fair value (continued)****7. Changes in valuation techniques that occurred during the period and the reasons for the changes**

No valuation techniques occurred during the reporting period.

**8. Fair value of financial assets and financial liabilities that are not measured at fair value**

The Company has assessed its cash and cash equivalents, accounts receivable, other receivables, other current assets, notes payable, accounts payable and other payables and the fair value is in line with the carrying value due to the short remaining period.

**XII. Related party relationships and transactions****1. Parent**

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion of ownership interest in the Company (%)	Proportion of voting power in the Company (%)
DR Investment (Zhuhai) Co Ltd.	Zhuhai	Business management consulting, business information consulting, investment management, etc	RMB50,000,000.00	85.50%	85.50%

**Note:**

The parent "Shenzhen DR Investment Co., Ltd." changed its name to the current "DR Investment (Zhuhai) Co., Ltd." in January 2022.

The ultimate controlling party of the Company is Mr. Zhang Guotao and Mrs. Lu Yiwen.

**2. Subsidiary**

Information about the subsidiaries of the Company is disclosed in Note IX.1.

**3. Other related parties**

Name	Related party relationships
Lu Yiwen	The actual controller of the Company
Zhang Guotao	The actual controller of the Company
Shenzhen Every Year Travel Photography Culture Co., Ltd.	A wholly-owned subsidiary of DR Investment, the Company's controlling shareholder; An enterprise indirectly controlled by the actual controllers Zhang Guotao and Lu Yiwen
Director, general manager and other senior management of the company	Key management personnel of the Company

## XII. Related party relationships and transactions (continued)

### 4. Major transactions between the Group and its related parties

#### (1) Sales of goods/ provision of services to related parties

Related parties	Transactions between the Group and its related parties	RMB	
		Amount for current period	Amount for prior period
Shenzhen Every Year Travel Photography Culture Co., Ltd.	Provision of services	-	42,131.61

#### Note:

In February 2020, the Company entered into a cooperation framework agreement with Shenzhen Every Year Travel Photography Culture Co., Ltd. stipulating that the Company will introduce, guide and coordinate users with travel photography needs to EveryYear Travel Photography and become its effective users, and the service fee and referral fee shall be paid to the Company at the agreed price every year.

#### (2) Leases by Related Parties

##### As lessee

Lessor	Type of leased assets	Simplification of rental expenses for short-term leases and low-value asset leases(if applicable)		Variable lease payments not included in the measurement of lease liabilities(if applicable)		Rental payment		Interest expense on lease liabilities incurred		Increase in right-of-use asset		RMB
		Amount for current period	Amount for prior period	Amount for current period	Amount for prior period	Amount for current period	Amount for prior period	Amount for current period	Amount for prior period	Amount for current period	Amount for prior period	
DR Investment (Zhuhai) Co., Ltd.	Operating leases	-	-	-	-	84,046.00	252,138.00	2,070.30	25,441.72	-	929,427.02	

#### Note:

In December 2019, Shenzhen Darry Commercial Management Services Co., Ltd. entered into an operating lease agreement with DR Investment (Zhuhai) Co., Ltd. (formerly known as Shenzhen DR Investment Co., Ltd.) at the market price, with a total lease cost of RMB1,539,077.98, the original lease period was from 13 December 2019 to 31 December 2022, the rent was paid on schedule, and the leased asset was terminated early on 28 February 2022.

#### (3) Other related party transactions

	RMB	
	Amount for current period	Amount for prior period
Compensation of key management personnel	13,606,393.29	16,525,196.79
Include: share-based payment expenses	<u>356,652.33</u>	<u>1,625,241.26</u>

**XIII. Share-based payment****1. Summary**

	RMB
Equity instruments granted in current period	-
Total equity instruments exercised in current period	-
Total equity instruments which became invalid in current period	43,200.00
Range of exercise prices of stock options issued and outstanding by the Company at the end of the period and the remaining term of the contract	The exercise price of the Company's outstanding stock options at the end of the period was \$1.67 per share, with a remaining contractual term of 0-1.89
Range of exercise prices of other equity instrument issued and outstanding by the Company at the end of the period and the remaining term of the contract	None

**(1) First share option incentive scheme**

On January 18, 2017, the Company approved the "Shenzhen Darry Jewelry Co., Ltd. Equity Incentive scheme" (the "Incentive scheme") through a resolution of the shareholders' meeting, and the Company's first share option incentive scheme granted the Company the number of restricted shares to 15 incentive recipients through the Gongqingcheng Wendi No.1 Investment Management Partnership (Limited Partnership), the Gongqingcheng Wendi No.2 Investment Management Partnership (Limited Partnership) and the Gongqingcheng Wendi No.3 Investment Management Partnership (Limited Partnership) 1,150,000 shares (after the Company's conversion into a joint stock company, the number of restricted shares became 4,140,000 shares). Subsequently, the Company signed an equity grant notice with the incentive recipients on November 20, 2017, and the terms and conditions of the agreement between the enterprise and the employees on the share payment have been agreed, so the grant price is RMB 1.67 per share (which has been adjusted in proportion to the number of shares after the Company's conversion into a joint stock company) with November 20, 2017 as the grant date. Gongqingcheng Wendi No.1 Investment Management Partnership (Limited Partnership), Gongqingcheng Wendi No.2 Investment Management Partnership (Limited Partnership) and Gongqingcheng Wendi No.3 Investment Management Partnership (Limited Partnership) set restrictive conditions, that is, on the listed date of the company, the incentive share held by the incentive recipients can meet the feasible rights conditions stipulated in the incentive scheme, and the Company's shares held by the incentive recipients shall not be transferred within one year from the date of listing on the Shenzhen Stock Exchange. Share-based payment expenses for restricted stock granted under the initial share option incentive scheme were fully recognized in 2021.

### **XIII. Share-based payment (Continued)**

#### **Share-based payment plan (continued)**

##### (2) Second share option incentive scheme

On November 20, 2019, the Company approved the "DR Corporation Limited Share Option Incentive scheme" through the resolution of the second extraordinary general meeting of shareholders in 2019, and the Company's second share option incentive scheme granted 2,412,000 restricted shares of the Company to 12 incentive recipients through the Gongqingcheng Wendi No.1 Investment Management Partnership (Limited Partnership) and the Gongqingcheng Wendi No.2 Investment Management Partnership (Limited Partnership), with November 20, 2019 as the grant date. The grant price is RMB1.67 per share. Gongqingcheng Wendi No.1 Investment Management Partnership (Limited Partnership) and Komsomolsk Wendi No.2 Investment Management Partnership (Limited Partnership) set restrictive conditions, that is, after 5 years from the grant date, the incentive share held by the incentive recipients can meet the feasible right conditions stipulated in the incentive scheme, and the Company's shares held by the incentive recipients cannot be transferred within three years from the date of listing on the Shenzhen Stock Exchange.

The second equity incentive scheme on November 20, 2019 also stipulates that this incentive scheme is applicable to the recipients of the first equity incentive scheme. This change extends the service period of the first share option incentive recipients, which is not conducive to the change of incentive recipients, so the Company still recognizes share-based payment expenses for the first incentive scheme in accordance with the feasible conditions before the amendment.

##### (3) Modification of the second share option incentive scheme and newly granted restricted stock

On March 11, 2020, the Company passed the resolution of the second extraordinary general meeting of shareholders in 2020, approving the amendment of the second share option incentive scheme "DR Corporation Limited Equity Incentive Scheme", which added that in the case of the incentive recipients leaving the Company within 5 years and the Company has been listed, the incentive share held by the incentive recipients vesting after years of service since the grant date meets the feasible right conditions. Subject to the fact that the conditions for listing within 5 years of the Company can be met, the amendment acts as a number of separate share-based payment schemes, recognizing share-based payment expenses during their respective vesting periods. At the same time, pursuant to the revised second equity incentive scheme, the Group granted 810,000 new restricted shares to two incentive recipients through Gongqingcheng Wendi No. 1 Investment Management Partnership (Limited Partnership) on March 11, 2020 at a grant price of RMB1.67 per share.

On April 6, 2022, one incentive recipient of the original second share option incentive scheme left the company, and the recognized share-based payment expense of RMB199,566.87 was reversed in 2022.

Based on the fair value of restricted stock at the time of grant and the estimated exercise date and turnover rate assessed by the valuation firm engaged by the Company according to the income method, the total share-based payment expenses recognized for the second share option incentive scheme in 2022 and the newly granted restricted stock are RMB561,317.20 (2021: RMB2,144,727.27).

**XIII. Share-based payment (Continued)****2. Equity-settled share-based payments**

RMB

Methodology for determining the fair value of equity instruments at the date of grant	The fair value of restricted shares at the grant date was assessed by the hired appraisal agency according to the income method.
Basis for determining the number of exercisable equity instruments	At each balance sheet date during the vesting period, the number of equity instruments expected to become exercisable is modified with the best estimates based on subsequent information such as the latest available changes in the number of exercisable employees.
Reasons for material differences between the current and prior period estimates	Nil
Accumulated amount charged to capital reserve for equity-settled share-based payments	26,344,118.97
Total expense recognised for equity-settled share-based payments during the period	561,317.20

**3. Cash-settled share-based payments**

N/A

**XIV. Commitments and Contingencies****1. Significant commitments**

As at the date of approval of this financial statement, the Group had no significant commitments.

**2. Contingencies****(1) Material contingencies existing as at the balance sheet date**

As at the date of approval of this financial statement, the Group had no contingencies required to be disclosed.

**(2) To state that the Company has no material contingency that needs to be disclosed**

the Group had no contingencies required to be disclosed.

## XV. OTHER SIGNIFICANT EVENTS

### 1. Segment reporting

None.

### 2. Operating segments

The management of the Group considers the internal organizational structure, management requirements and internal reporting system and other aspects to believe that the businesses of the companies in the Group have obvious similarities, all of which are in the jewelry retail industry. Management regularly reviews the Group's overall financial statements for resource allocation and performance evaluation, and as a result, according to Accounting Standard for Business Enterprises No. 35 - Segment Reporting, the Group's operations constitute a single operating segment and no segment reporting information is prepared.

### 3. Other information

#### Information on products and services

Income from external transactions

	2022	RMB 2021
Engagement diamond rings	2,902,464,272.49	3,660,710,737.20
Wedding diamond rings	713,611,440.73	866,423,450.66
Other accessories	34,105,640.81	67,527,540.26
Other business	31,393,058.65	28,068,052.36
	<u>3,681,574,412.68</u>	<u>4,622,729,780.48</u>

#### Geographic information

The Group's geographical division is relatively concentrated, and 99.80% of the external transaction income was attributable to the Chinese mainland region in 2022 (2021: 99.88%); As at December 31, 2022, 99.83% of non-current assets were attributable to the Chinese mainland region (December 31, 2021: 99.79%).

#### Information about major customers

The Group's customers are relatively fragmented and there is no single customer with more than 10% of the Group's transaction volume.

**XV. OTHER SIGNIFICANT EVENTS (continued)****Lease**As lessee

	2022	RMB 2021
Interest expenses on lease liabilities	21,536,754.47	12,331,582.92
Variable lease payments not included in the measurement of lease liabilities	37,374,018.79	54,219,174.61
Cash outflows for fixed lease payments	<u>335,781,536.76</u>	<u>241,234,928.05</u>
Total cash outflow for leases	<u>394,692,310.02</u>	<u>295,454,102.66</u>

The Group has lease contracts for various items of buildings, used in its operations, and leases are usually for 1 to 5 years. Lease contracts usually stipulate that the Group cannot sublease the leased assets, and some lease contracts require the Group's financial indicators to be maintained at a certain level. There are several lease contracts that include extension and termination options and variable lease payments. Refer to "Potential future cash outflows not included in the measurement of lease liabilities" for the impact of clauses relating to variable lease payments on future potential cash outflows.

Potential future cash outflows not included in the measurement of lease liabilities

The Group's potential future cash outflows not included in the measurement of lease liabilities are mainly derived from variable lease payments, exposure to leases that have been committed but not yet commenced.

*Variable lease payments*

Some of the property leases within the Company contain variable lease payment clauses that are linked to sales generated from the underlying store. These clauses are used, when possible, in order to match lease payments with stores generating higher cash flows.

As at 31 December 2022, the leasing status of the Group's premises and buildings was as follows:

				RMB
	Number of shops and offices (pcs)	Fixed payments	Variable payments	Total payments
Fixed payments only	374	154,088,002.68	-	154,088,002.68
Variable payments	335	181,693,534.08	37,374,018.79	219,067,552.87
Total	709	335,781,536.76	37,374,018.79	373,155,555.55

**XIII. OTHER SIGNIFICANT EVENTS (continued)****Lease (continued)**Potential future cash outflows not included in the measurement of lease liabilities (continued)

If the sales of all the Group's stores increase by 5%, the total lease payments are expected to increase by 0.70%; If the sales of all the Group's stores decrease by 5%, the total lease payment is expected to decrease by 0.65%

*Leases that have been promised but not yet commenced*

The expected future annual cash outflows for leases to which the Group is committed but which have not yet commenced are as follows:

	2022	RMB 2021
Within 1 year, inclusive	7,807,604.75	7,347,963.22
1 to 2 years, inclusive	11,664,137.21	11,134,918.23
2 to 3 years, inclusive	9,947,015.73	8,473,927.77
Over 3 years	3,088,983.25	2,411,270.00
	<u>32,507,740.94</u>	<u>29,368,079.22</u>

Other information relating to leases

For right-of-use assets, refer to notes V.11.

## XVI. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY

### 1.Accounts receivable

Accounts receivable are disclosed by category as follows:

	Closing balance					Opening balance					RMB
	Outstanding balance		Impairment allowance		Carrying amount	Outstanding balance		Impairment allowance		Carrying amount	
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio		
Impairment allowance which is individually assessed	1,476,671.46	1.65%	1,476,671.46	100.00%	-	1,750,141.69	0.77%	1,695,434.95	96.87%	54,706.74	
Including:											
Mall A	1,476,671.46	1.65%	1,476,671.46	100.00%	0.00	1,576,671.46	0.86%	1,576,671.46	100.00%	0.00	
Mall B						173,470.23	0.09%	118,763.49	68.46%	54,706.74	
Impairment allowance based on credit risk characteristics	88,125,091.04	98.35%	3,527,062.57	5.46%	84,598,028.47	224,321,075.66	99.23%	7,049,640.91		217,271,434.75	
Including:											
Accounts receivable from subsidiaries	2,071,189.38	2.31%	-	-	2,071,189.38	43,257,717.26	19.13%	-	-	43,257,717.26	
Accounts receivable from POS machines and e-commerce platforms	21,471,639.56	23.96%	-	-	21,471,639.56	50,278,645.98	22.25%	-	-	50,278,645.98	
Accounts receivable from the mall	<u>64,582,262.10</u>	<u>72.08%</u>	<u>3,527,062.57</u>	<u>5.46%</u>	<u>61,055,199.53</u>	<u>130,784,712.42</u>	<u>57.85%</u>	<u>7,049,640.91</u>	<u>5.39%</u>	<u>123,735,071.51</u>	
	<u>89,601,762.50</u>	<u>100.00%</u>	<u>5,003,734.03</u>	<u>5.58%</u>	<u>84,598,028.47</u>	<u>226,071,217.35</u>	<u>100.00%</u>	<u>8,745,075.86</u>	<u>3.87%</u>	<u>217,326,141.49</u>	

**XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)****1.Accounts receivable (continued)**

Impairment allowance which is individually assessed: 1,476,671.46

RMB

	Outstanding balance	Impairment allowance	Expected credit loss rate	Reasons for provision
Mall A	<u>1,476,671.46</u>	<u>1,476,671.46</u>	<u>100.00%</u>	The mall has been in arrears for a long time and is expected to be unable to recover the money.
Total	<u><u>1,476,671.46</u></u>	<u><u>1,476,671.46</u></u>		

Impairment allowance based on credit risk characteristics:3,527,062.57

RMB

	Closing balance		
	Carrying amount Outstanding balance	Impairment allowance	Expected credit loss ratio (%)
Receivable from malls	<u>64,582,262.10</u>	<u>3,527,062.57</u>	<u>5.46</u>
Total	<u><u>64,582,262.10</u></u>	<u><u>3,527,062.57</u></u>	

An aging analysis of accounts receivable is as follows:

	RMB Carrying amount
Within 1 year	87,242,136.25
1 to 2 years	<u>2,359,626.25</u>
	<u><u>89,601,762.50</u></u>

**XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)****1.Accounts receivable (continued)**

The movements of impairment allowance for accounts receivable are as follows:

	Opening balance	Provision	Change during the period Reversal	Write-offs	Ohters	RMB Closing balance
Receivables from malls	8,745,075.86	3,479,474.77	7,220,816.60	-	-	5,003,734.03
Total	<u>8,745,075.86</u>	<u>3,479,474.77</u>	<u>7,220,816.60</u>	<u>-</u>	<u>-</u>	<u>5,003,734.03</u>

As at 31 December 2022, the top 5 accounts receivables by amount are as follows:

Name	Amount	Percentage of total accounts receivable	Provision for bad debts Amount
NO. 1	6,711,333.60	7.49%	-
NO. 2	5,255,656.37	5.87%	-
NO. 3	3,398,156.16	3.79%	185,513.59
NO. 4	3,096,751.05	3.46%	-
NO. 5	2,970,154.16	3.31%	-
Total	<u>21,432,051.34</u>	<u>23.92%</u>	<u>185,513.59</u>

**2.Other receivables**

	Closing balance	Opening balance
Dividends receivable	131,000,000.00	200,000,000.00
Other receivables	<u>139,167,536.46</u>	<u>34,208,768.92</u>
Total	<u>270,167,536.46</u>	<u>234,208,768.92</u>

Dividends receivable

	Closing balance	Opening balance
Shenzhen Darry Commercial Management Service Co., Ltd.	100,000,000.00	100,000,000.00
He'er Culture (Shenzhen) Co., Ltd.	31,000,000.00	-
Shenzhen Love Only AI Cloud Technology Co., Ltd.	<u>-</u>	<u>100,000,000.00</u>
	<u>131,000,000.00</u>	<u>200,000,000.00</u>

**XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)****2. Other receivables (continued)**

1) The category of other receivables by nature is as follows:

	Closing balance	RMB Opening balance
Payments receivable from subsidiaries	132,210,236.41	24,973,131.19
Social insurances and housing fund borne by employees	4,697,357.08	3,514,162.46
Temporary loans for employees	1,337,667.07	700,050.62
Others	2,827,275.90	5,021,424.65
<b>Total</b>	<b>141,072,536.46</b>	<b>34,208,768.92</b>

2) Impairment allowance for other receivables is as follows:

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	RMB Total
Opening	-	-	-	-
Accrual	-	-	1,905,000.00	1,905,000.00
Closing	-	-	1,905,000.00	1,905,000.00

An aging analysis of other receivables is as follows:

	RMB Carrying Value
Within 1 year	139,167,536.46
1 to 2 years	1,905,000.00
	<b>141,072,536.46</b>

The movements in impairment allowance for other receivables is as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	RMB Closing balance
Impairment allowance for other receivables	-	1,905,000.00	-	-	1,905,000.00
<b>Total</b>	<b>-</b>	<b>1,905,000.00</b>	<b>-</b>	<b>-</b>	<b>1,905,000.00</b>

**XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)****2. Other receivables (continued)**

As at 31 December 2022, the top 5 other receivables by amount are as follows:

	Nature	Closing balance	Yuan Currency: RMB Aging	Percentage of total other receivables (%)	RMB Closing balance of impairment allowance
No.1	Accounts receivable from subsidiaries	91,099,947.31	Within 1 year	64.58	-
No.2	Accounts receivable from subsidiaries	30,780,537.10	Within 1 year	21.82	-
No.3	Accounts receivable from subsidiaries	6,668,221.83	Within 1 year	4.73	-
No.4	Accounts receivable from subsidiaries	1,042,726.80	Within 1 year	0.74	-
No.5	Accounts receivable from subsidiaries	<u>982,200.75</u>	Within 1 year	<u>0.70</u>	-
		<u>130,573,633.79</u>		<u>92.57</u>	-

## XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Long-term equity investments

RMB

	Closing balance			Opening balance		
	Carrying amount	Impairment allowance	Carrying value	Carrying amount	Impairment allowance	Carrying value
Subsidiaries	207,935,477.77		207,935,477.77	65,435,477.77		65,435,477.77
Total	207,935,477.77		207,935,477.77	65,435,477.77		65,435,477.77

#### (1) Subsidiaries

RMB

Investee	Closing balance of prior year	Increase/decrease during the period				Closing balance of the year	Closing balance of impairment allowance
		Additions	Decrease	Impairment allowance	Others		
Shanghai Darry Diamond Co., Ltd.	5,000,000.00	-	-	-	-	5,000,000.00	-
Chongqing Darry Jewelry Co., Ltd. (Note 1)	500,000.00	3,500,000.00	-	-	-	4,000,000.00	-
Shenzhen Love Only AI Cloud Technology Co., Ltd.	25,000,000.00	-	-	-	-	25,000,000.00	-
Couple Only (Shenzhen) Jewelry Co., Ltd.	5,000,000.00	-	-	-	-	5,000,000.00	-
Shenzhen Darry Commercial Management Service Co., Ltd	10,000,000.00	-	-	-	-	10,000,000.00	-
He'er Culture (Shenzhen) Co., Ltd	9,935,477.77	-	-	-	-	9,935,477.77	-
Haoduo Diamond (Shenzhen) Co., Ltd. (Note 1)	10,000,000.00	50,000,000.00	-	-	-	60,000,000.00	-
43 other sales subsidiaries (Note 2)	-	89,000,000.00	-	-	-	89,000,000.00	-
	65,435,477.77	142,500,000.00	-	-	-	207,935,477.77	-

Note 1: The new long-term equity investment in 2022 is caused by the Company's capital increase in Chongqing Darry and Haoduo Diamonds.

Note 2: The other 43 sales subsidiaries were established in 2022.

**XIV. NOTES TO FINANCIAL STATEMENTS OF THE COMPANY (continued)****4.Revenue**

	RMB			
	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
Primary business	3,504,011,054.08	1,059,821,992.30	4,389,965,960.24	1,356,727,891.03
Other business	30,921,300.22	32,745,675.51	27,904,899.32	29,378,374.85
	<u>3,534,932,354.30</u>	<u>1,092,567,667.81</u>	<u>4,417,870,859.56</u>	<u>1,386,106,265.88</u>

Information relating to performance obligations:

Under the self-operated model, the performance obligation is completed when the customer receives the goods. Typically for direct store operations, goods are delivered within 30 days of receipt of the contract price; for associated stores in cooperation with shopping malls and e-commerce platforms, the contract price is typically received within 15-60 days of delivery of the goods. Customers are entitled to return merchandise within 15 days of receipt and therefore a return rate is estimated and a provision for returns is required based on historical sales. Provision for returns made at the end of the year is detailed in note VII.26.

Information relating to the transaction price apportioned to the remaining performance obligation:

The amount of revenue corresponding to performance obligations that have been contracted for but not yet performed or not yet completed at the end of the reporting period is RMB122,481,130.76.

**5.Investment income**

	RMB	
	2022	2021
Investment income earned during the holding period of debt investment	15,561,771.33	10,422,712.36
Investment income earned during the holding period of financial assets classified as held for sale	65,266,805.97	20,655,760.37
Dividend earnings from subsidiaries	480,000,000.00	500,000,000.00
Total	<u>560,828,577.30</u>	<u>531,078,472.73</u>

**XVII. SUPPLEMENTARY INFORMATION****1. Breakdown of non-recurring profit or loss**

Item	Amount	RMB Description
Gain on the disposal of non-current assets	1,244,949.25	
Tax refunds or reductions with ultra vires approval or without official approval documents or occurred contingently	162,770.75	
Government grants (except for government grants which are closely related to normal business operations of the Company, in compliance with national policies and regulations, and conform with the amount or quantities at certain standards on an ongoing basis) charged to gains or losses for the period	23,433,558.47	
Gain/loss from fair-value change arising from trading financial assets and trading financial liabilities held and investment gain from disposal of trading financial assets and trading financial liabilities, other than effective value protection hedges relating to the Company's ordinary course of business (Note 1);	128,297,407.98	Gains/ losses from changes in fair value of financial assets held for trading and investment income arising from financial products during the reporting period.
Other non-operating incomes or expenses other than the above	468,656.88	
Less: Income tax effect	<u>37,612,337.30</u>	
Total	<u>115,995,006.03</u>	

Details of other income and loss items that meet the definition of non-recurring income and loss:

The Company had no other specific circumstances that meet the definition of non-recurring income and loss items.

The non-recurring profit and loss items listed in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profit or Loss are defined as regular profit and loss items:

Item	Amount	Reason
VAT refund upon collection for the actual tax burden on diamond imports exceeding 4%	<u>15,833,085.31</u>	Government grants that comply with national policies and continue to enjoy in accordance with certain standard quotas or quantities

**XVII. SUPPLEMENTARY INFORMATION (continued)****2. Return on net assets and earnings per share**

Profit for the reporting period	Weighted average of return on net assets	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the parent company	10.68%	1.82	1.82
Net profit after non-recurring profit or loss attributable to ordinary shareholders of the parent company	8.98%	1.53	1.53