Application Proof of

CAROTE

Carote Ltd
卡羅特有限公司*

(an exempted company incorporated in the Cayman Islands with limited liability)

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[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**[REDACTED]**
Nominal value	**:**	**US$[0.0005] per [REDACTED] Share**
[REDACTED]	**:**	**[REDACTED]**

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EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any **[REDACTED]**. *Some of the particular risks of* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section headed "Risk Factors". You should read the entire document carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**. *Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms".*

OVERVIEW

Who We Are

We are a rising global lifestyle brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a prominent presence in the online kitchenware segment across key markets, including China, the United States, Western Europe, Southeast Asia, and Japan, making us one of the fastest-growing kitchenware brands globally. Our products are built to emphasize "Better for Use" and "Better for Value" through promoting a trendy cooking lifestyle, allowing our consumers to use high-quality kitchen products that combine innovative functions and stylish designs at highly accessible prices.

Our Business

The progression of our business reflects a strategic evolution aligned with market demands and a commitment to delivering better products.

Headquartered in Hangzhou, China, our journey began in 2007 when Zhejiang Carote, one of our major subsidiaries, was founded. Initially, we engaged primarily in providing OEM services for overseas brands. In 2013, recognizing the market demands, we pivoted to focus on developing our ODM business, where we engaged in designing, developing, and manufacturing customized kitchenware products to international brand-owners and retailers.

Leveraging the expertise and critical insights into consumer preferences gained through our ODM business, in 2016, we strategically ventured into the online retail sector by introducing kitchenware products under our own brand name, "CAROTE". This initiative represented a significant milestone, enabling us to directly offer products that reflect our understanding of market needs, characterized by innovation, direct customer engagement, and value for money. This strategic move quickly positioned us as a trusted provider of high-quality and innovative kitchenware products.

As our branded business continued to expand, we made another strategic transition concerning our production. While we previously relied on a combination of outsourced manufacturing by qualified manufacturing partners and in-house production, we transitioned to a fully outsourced, asset-light model from February 2022 to meet the rising demands for greater production capacity and efficiency.

During the Track Record Period and up to the Latest Practicable Date, we operated both the ODM business and branded business, with the latter being our strategic focus for future growth and development. As a result of our expansion efforts, our branded business achieved rapid growth during the Track Record Period, with revenue for this segment increasing substantially from RMB283.3 million in 2021 to RMB1,379.9 million in 2023 at a CAGR of 120.7%.

Our Products

We offer a wide range of kitchenware products to consumers. Our products are designed to be not only of high quality and functional but also affordable and aesthetically appealing. From essential pots and pans to elegant tableware and beverage containers, our offerings aim to meet the varied needs of different kitchen scenarios and enhance the culinary experience of our customers.

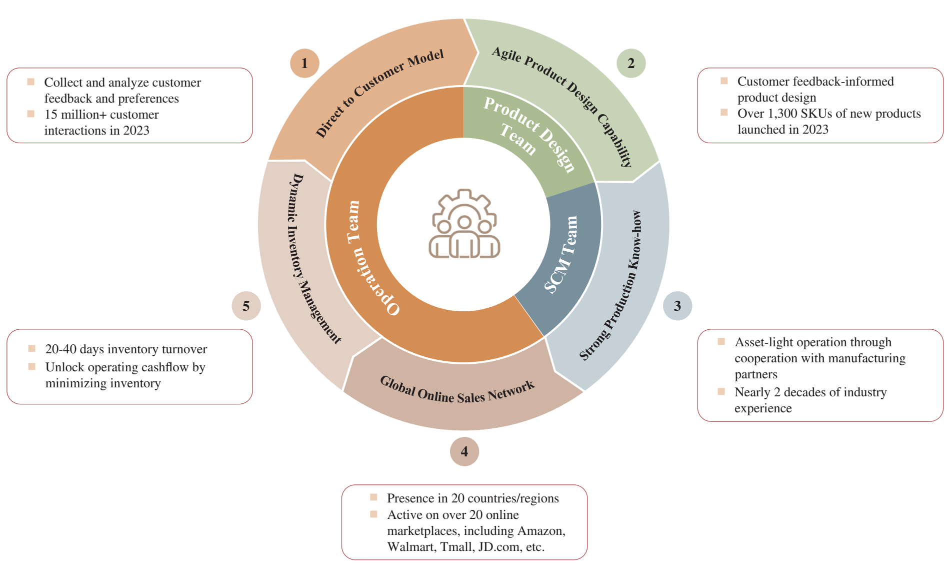
We regularly refresh our lineup with new and improved products to keep our customers engaged. In 2021, 2022 and 2023, we launched 520, 1,305, and 1,374 SKUs of our own-branded products, respectively, consistently expanding our product range to meet the evolving preferences of our customers. As of the Latest Practicable Date, our product portfolio consisted of over 1,800 SKUs across different kitchenware categories, including cookware, kitchen utensils, drinkware, among others.

- *Cookware.* This category includes a wide range of products, such as non-stick pots and pans, cast iron pots, and our curated cookware sets, all designed to meet various cooking needs.
- *Kitchen utensils.* Our selection of kitchen utensils covers an extensive array of items, including kitchen organizers, containers, knives, cutting boards, spatulas, and ladles, among others, providing essential tools for efficient food preparation.
- *Drinkware.* Our drinkware collection features a variety of products, including water containers, glasses, and mugs, providing options for hydration and beverage enjoyment.
- *Others.* We also offer a selection of tableware and small kitchen appliances, such as air fryers and electronic cooking pots, designed to further enrich the culinary experience.

OUR BUSINESS MODEL

Lifestyle design, quality, and affordability are the core of "CAROTE" products. Our key competencies come from our ability to deliver high-quality design-oriented lifestyle products for consumers in a timely manner through an effective and scalable business model.

As illustrated by the diagram below, our business model comprises the following five key elements, which differentiate us from other players in the market and continue to drive our future growth.



1. Direct-to-Consumer Sales Model

We strategically launched our brand with a direct-to-customer (DTC) sales model, focusing on reaching retail customers worldwide through online sales channels. Through this model, we can engage directly with end-user customers and obtain consumer preferences and feedback across different markets for multi-dimensional market analysis and studies. Such direct engagement facilitates rapid response to customer needs by introducing the most suitable products for each market and has been instrumental in creating tailored products "for better use" that resonate with our customer base.

2. Agile Product Design and Development Capability

We take pride in our ability to design and provide highly relevant kitchenware products to consumers at a fast pace. By integrating product development, operations, and supply chain management efforts, we can promptly iterate and innovate products based on market trends and consumer feedback, ensuring timely responses to market shifts. This agility ensures that we can bring new products from concept to market within 30 days when development of new molds is not required, significantly outpacing the industry average according to the CIC Report. In addition, continuous sales monitoring and product improvements further enhance our ability to adapt to market shifts during product development and successfully launch new products.

3. Strong Industry Know-How and Efficient Supply Chain

We benefit from the valuable experience and industry know-how gained from nearly two decades of producing kitchenware products, particularly through our role as the ODM partner for international brands and retailers. This unique experience has enabled us to effectively manage our supply chain through an asset-light model, where we rely on qualified manufacturing partners for outsourced production to enhance operational efficiency. We prioritize maintaining mutually beneficial relationships with these partners, which in turn leads to improved supply chain efficiency and reduced inventory risks for us. Our collaboration with our manufacturing partners also provides us with the flexibility to procure new products at a lower minimum order quantity prior to a full-scale launch. This represents a key strength for our design-focused brand, enabling us to launch more new products to test market feedback and ensure profitability before placing large orders.

4. Global Sales Network over Key Online Marketplaces

We have established a rapidly expanding global sales network with a strategic focus on e-commerce operations. Our strategy includes partnering with leading online marketplaces in major international markets, including China, the United States, Western Europe, Southeast Asia, and Japan to ensure global availability of our products. In China, for instance, we collaborate with online platforms such as Tmall and JD.com, while internationally, we work with Amazon, Walmart, Rakuten, Qoo10, Shopee, Lazada, among others. The scalability of our digital sales channels facilitates our rapid penetration across multiple geographic markets. Since our branded product first entered the international market in 2017, we have expanded our online presence to include a total of 51 self-operated online stores across 22 online marketplaces in 20 geographic markets as of the Latest Practicable Date. This expansion not only enhances our market reach but also provides us with replicable experience in managing online operations in diverse e-commerce environments, laying the foundation for future growth.

5. Dynamic Inventory Management

Our inventory management practice involves strategic procurement and stock monitoring and planning, enabling us to align inventory with operational needs through demand forecasting and real-time stock monitoring. As a result, we have achieved a 20 to 40-day inventory turnover without any inventory write-downs during the Track Record Period, significantly enhancing our working capital and cash flow management. Moreover, this agility in inventory management facilitates real-time adjustments across regions based on sales data, ensuring prompt responses to demand fluctuations and market changes.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and set us apart from our competitors:

- Rising global lifestyle brand with a prominent position in the kitchenware market;
- Unique product development capability and proven track record in introducing innovative products and leading market trends;
- Global online DTC retail model with direct consumer engagement and scalability over key international e-commerce platforms;
- Flexible asset-light supply chain model that drives product innovation and efficient cost control; and
- Passionate management with global vision and vibrant corporate culture.

OUR STRATEGIES

Our mission is to create a refined lifestyle for everyone to enjoy cooking and dining time at home with high-quality products. We aim to realize our mission by pursuing the following strategies:

- Continuing product iteration, innovation in features and design and expansion into household goods;
- Continuously expanding global reach and enhancing brand recognition worldwide;
- Enhancing organizational structure and supply chain for global expansion;
- Empowering global talent acquisition and development; and
- Building a multi-brand portfolio through investment and acquisitions.

COMPETITIVE LANDSCAPE

The kitchenware market in China is highly competitive in nature, with a mix of leading and other market participants competing for shares in local markets. We face competition from both established players and emerging brands in the kitchenware sector. Additionally, we encounter competition in the international markets, where certain competitors, particularly established international brands, may have advantages in terms of scale and financial resources.

Notwithstanding the competition we face, we have established ourselves as a notable player in the global kitchenware market. According to the CIC Report, we are a top five player in the online cookware industries across China, the United States, Southeast Asia, and Japan in terms of retail sales value in 2022. See "Industry Overview" for details on the ranking and market share of us and other key market players.

Furthermore, the global online kitchenware industry is continuously evolving, driven by technological advancements and shifts in consumer preferences. It has shown a robust resistance to economic fluctuations and is projected to grow steadily with the rising popularity of home cooking during the recent years. According to the CIC Report, the size of the global online kitchenware market is expected to reach US$21.5 billion by 2027, with a CAGR of 8.3% from 2022 to 2027. We believe that our online operational model purposely built for speedy global expansion, along with our frequently refreshed offerings specifically designed to cater to the preferences of young generation, positions us well to leverage growth opportunities in underpenetrated markets in furthering our growth ambitions.

OUR SUPPLIERS

Our suppliers primarily consist of our contract manufacturers, all of which are located in China, reflecting our strategical choice to completely outsource our production to third parties. In addition to our contract manufacturers, our suppliers also include (i) online e-commerce platforms, which provide services ancillary to the operation and management of our online stores, (ii) manufacturers of coating and packaging materials, and (iii) third-party service providers for warehousing, logistics and other services.

In 2021, 2022 and 2023, purchases from our five largest suppliers accounted for 39.8%, 50.3%, and 45.1% of our total purchase, respectively, with purchases from our largest supplier comprising 18.0%, 16.9%, and 18.0% of our total purchase during the same periods, respectively. All of our five largest suppliers during the Track Record Period were Independent Third Parties.

OUR CUSTOMERS

Our branded business customer base is primarily composed of retail customers who purchase our products either directly from our online stores on third-party platforms or our own shopping website. To a lesser extent, our customer base also includes operators of online platforms, to whom we supply products for purchase by the platform users.

Our ODM customers primarily consist of brand-owners operating in the international markets and, to a lesser extent, retailers, importers and trading companies. We provide them with customized products tailored to their specific requirements, which they subsequently market and sell under their own brand names.

In 2021, 2022 and 2023, revenue from our five largest customers, all of which were our ODM customers, accounted for 55.4%, 29.2% and 11.8% of our total revenue, respectively, with our largest customer contributing 24.4%, 13.9%, and 6.5% of our total revenue during the same periods, respectively. All of our five largest customers during the Track Record Period were Independent Third Parties.

RISK FACTORS

Our operations and the **[REDACTED]** involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to **[REDACTED]** in us and/or the value of your **[REDACTED]**. See "Risk Factors" for details of our risk factors. Some of the major risks we face include:

- Our success is dependent on the continued popularity of our products, successful launches of new products, and our ability to anticipate and respond to changes in consumer preferences in a timely manner.
- Our branded business relies, and may continue to rely, on certain prominent e-commerce platforms for its operations, and is exposed to various risks associated with operating on these platforms.
- The expansion and profitability of our business depend on the level of consumer demand and discretionary spending, which could be greatly affected by factors such as economic downturn and inflation globally.
- Our branded business is highly dependent on our brand image and reputation and if we fail to maintain and enhance our brand image and reputation, consumer recognition of and trust in our products could be adversely affected.
- We face intense competition in various geographic markets where we operate and if we are unable to compete successfully, our business, results of operations, and financial condition could be materially and adversely affected.
- Our international operations are subject to a variety of costs and legal, regulatory, political, and economic risks.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information has been prepared in accordance with HKFRS.

Summary Consolidated Statements of Profit or Loss

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Revenue	**675.3**	**768.5**	**1,583.1**
Cost of sales	(548.8)	(493.2)	(1,018.0)
Gross profit	**126.5**	**275.3**	**565.1**
Selling expenses	(56.7)	(108.8)	(245.4)
Administrative expenses	(20.3)	(20.7)	(31.6)
Research and development expenses	(18.1)	(20.8)	(35.9)
Net (impairment losses)/reversal of impairment on financial assets	(0.1)	(0.1)	0.3
Other income	0.5	1.6	3.2
Other gains/(losses), net	0.9	(2.4)	15.5
Operating profit	**32.7**	**124.1**	**271.2**
Finance income	4.9	5.5	7.4
Finance costs	(1.6)	(3.1)	(0.3)
Finance income, net	3.3	2.4	7.1
Profit before income tax	**36.0**	**126.5**	**278.3**
Income tax expenses	(4.3)	(18.0)	(41.8)
Profit for the year	**31.7**	**108.5**	**236.5**

During the Track Record Period, we generated revenue primarily from our branded business and, to a lesser extent, our ODM business. Since 2021, we have been strategically shifting resources away from our ODM business to focus on developing our branded business. Our revenue from branded business is derived from our sales of products under our own brand name, "CAROTE". Our revenue from ODM business is derived from our sales of customized cookware and other kitchenware products to international brand-owners and retailers.

The following table sets forth a breakdown of our revenue by business segment for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Branded business	283.3	41.9	530.7	69.1	1,379.9	87.2
ODM business	392.0	58.1	237.8	30.9	203.2	12.8
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**

Our revenue from branded business increased significantly during the Track Record Period from RMB283.3 million in 2021 to RMB530.7 million in 2022, and further to RMB1,379.9 million in 2023, primarily due to our continued focus of resources on developing this business segment and continued expansion of market share through developing and introducing new products that suited the latest market trends, collaborating with additional e-commerce platforms such as Walmart.com, and establishing region-specific marketing operations team and supply chain management teams to more effectively identify consumer preferences, engage potential customers, and increase our market share.

Our revenue from ODM business decreased from RMB392.0 million in 2021 to RMB237.8 million in 2022, and further decreased to RMB203.2 million in 2023, primarily due to our strategic redirection of focus away from this business segment as our branded business generally yields a higher gross profit margin.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)					
Branded business.	106.5	37.6%	243.7	45.9%	541.1	39.2%
ODM business	20.0	5.1%	31.6	13.3%	24.0	11.8%
Total	**126.5**	**18.7%**	**275.3**	**35.8%**	**565.1**	**35.7%**

Our gross profit from branded business increased significantly in line with our revenue growth during the Track Record Period from RMB106.5 million in 2021 to RMB243.7 million in 2022, and further to RMB541.1 million in 2023. The gross profit margin of our branded business increased from 37.6% in 2021 to 45.9% in 2022, primarily because cookware sets contributed a greater proportion of our revenue, especially in the United States, and such sets carried lower freight expenses than single items and therefore higher gross profit margins. Our gross profit margin decreased to 39.2% in 2023 primarily because we reduced the prices of certain products to attract more customers and maintain our competitiveness.

Our gross profit from ODM business increased from RMB20.0 million in 2021 to RMB31.6 million in 2022, while the gross profit margin of our ODM business increased from 5.1% in 2021 to 13.3% in 2022, primarily because of our higher pricing for certain new products with more competitive features such as unique functionality improvements, and a decrease in our cost of sales as our bargaining power against suppliers increased due to our business expansion. Our gross profit decreased to RMB24.0 million in 2023, while our gross profit margin decreased to 11.8% for the same year, primarily because we lowered the prices of certain products to stay competitive.

Summary Consolidated Statement of Financial Position

	As of December 31,		
	2021	2022	2023
		(RMB in millions)	
Total current assets	256.1	295.1	531.2
Total current liabilities	358.9	377.7	411.1
Net current assets/(liabilities)	**(102.8)**	**(82.6)**	**120.1**
Total non-current assets	184.0	258.0	104.9
Total non-current liabilities	10.7	38.1	2.3
Total equity	**70.5**	**137.3**	**222.7**

We had net current liabilities of RMB102.8 million as of December 31, 2021, primarily due to: (i) our relatively high other payables and accruals due to a RMB18.5 million interest-free loan we borrowed from Ms. Lyu, which we repaid in full in 2022; (ii) our relatively high current borrowings of RMB39.2 million, primarily comprising loans to finance our purchases of land parcels; and (iii) our relatively low cash and cash equivalents due to our purchases of a large amount of long-term bank time deposits and our purchases of land parcels.

We had net current liabilities of RMB82.6 million as of December 31, 2022, primarily due to: (i) our relatively high other payables and accruals due to dividend payable of RMB50.0 million in relation to our dividend declaration in 2022; and (ii) our relatively low cash and cash equivalents as we incurred substantial capital expenditures on two construction projects held by our then subsidiary, Gangle Kitchenware. For risks related to our net current liabilities, see "Risk Factors — Risks Related to Our Business and Industry — We recorded net current liabilities as of December 31, 2021 and 2022, and we may also record net current liabilities in the future."

Summary Consolidated Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
		(RMB in millions)	
Net cash flows generated from operating activities	122.0	128.6	244.0
Net cash flows (used in)/generated from investing activities	(95.5)	(184.0)	48.1
Net cash flows generated from/(used in) financing activities	34.9	0.6	(98.2)
Net increase/(decrease) in cash and cash equivalents	**61.4**	**(54.7)**	**193.8**
Cash and cash equivalents at beginning of year	36.3	97.7	42.5
Effects of exchange rate changes on cash and cash equivalents	0.0	(0.5)	(0.2)
Cash and cash equivalents at end of year	**97.7**	**42.5**	**236.1**

OUR CONTROLLING SHAREHOLDERS

Upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang and Ms. Lyu will be indirectly interested in and control, through the Intermediary Shareholders, an aggregate of **[REDACTED]**% of the issued share capital in our Company. Accordingly, immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang, Ms. Lyu and the Intermediary Shareholders will be a group of Controlling Shareholders, which will be interested in and will control **[REDACTED]**% of the issued share capital in our Company. For further details, see "Relationship with our Controlling Shareholders".

RECENT DEVELOPMENTS

Our business continued to expand after December 31, 2023. In the two months ended February 29, 2024, our sales grew substantially compared to the same period in 2023. In particular, our overseas sales more than doubled, primarily driven by increased customer demand and our enhanced brand recognition in the United States and Western Europe. We also continued developing new products and launched over 190 new SKUs in January and February 2024.

On March 4, 2024, we declared a dividend to our then shareholders of RMB100.0 million for the year ended December 31, 2023, which is expected to be paid by cash from our internal resources before the **[REDACTED]**.

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2023, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB50.0 million in 2022, which we subsequently distributed in 2023. On March 4, 2024, we declared dividends of RMB100.0 million, which are expected to be distributed before the **[REDACTED]**. See "— Recent Developments."

We intend to adopt, before the **[REDACTED]**, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than [20.0]% of our distributable net profit in the future, after deducting any significant capital expenditures and cost of mergers and acquisitions. Any future declarations and payments of dividends will be determined based on the results of our operations, cash flows, financial position, Shareholders' interests, general business conditions and strategies, capital requirements, future business prospects, statutory and regulatory restriction on the payment of dividends by us, and other factors that our Board of Directors may consider relevant.

[REDACTED]

This Document is published in connection with the **[REDACTED]** as part of the **[REDACTED]**. The **[REDACTED]** comprises:

- the **[REDACTED]** of **[REDACTED]** Shares (subject to **[REDACTED]** as mentioned below) for **[REDACTED]** in Hong Kong as described in the paragraph headed "Structure of the **[REDACTED]** — The **[REDACTED]**"; and
- the **[REDACTED]** of **[REDACTED]** Shares (subject to **[REDACTED]** and the **[REDACTED]** as mentioned below) outside the United States (including **[REDACTED]** within Hong Kong) in offshore transactions in reliance on Regulation S, as described below in the paragraph headed "Structure of the **[REDACTED]** — the **[REDACTED]**".

The **[REDACTED]** will represent approximately **[REDACTED]**% of the enlarged issued share capital of our Company immediately after completion of the **[REDACTED]** without taking into account the exercise of the **[REDACTED]**. If the **[REDACTED]** is exercised in full, the **[REDACTED]** will represent approximately **[REDACTED]**% of the enlarged issued share capital of our Company immediately after completion of the **[REDACTED]** and the exercise of the **[REDACTED]**.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalization of our Shares(1)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted net tangible assets per **[REDACTED]** (2)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of the market capitalization is based on **[REDACTED]** Shares expected to be in issue immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The unaudited **[REDACTED]** adjusted net tangible assets per **[REDACTED]** has been arrived at after adjustments referred to in "Appendix II — Unaudited **[REDACTED]** Financial Information" and on the basis that **[REDACTED]** Shares were in issue at the respective **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**, assuming that the Shares issued pursuant to the **[REDACTED]** were issued on December 31, 2023, which does not take into account (i) any Share which may be allotted and issued upon the exercise of the **[REDACTED]**, or (ii) any Share which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the directors of the Company.

The unaudited **[REDACTED]** adjusted net tangible assets of the Group does not take into account the dividend of RMB100,000,000 declared by the Company on March 4, 2024. The unaudited **[REDACTED]** adjusted net tangible assets per Share would have been HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**) and HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**) per Share based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**, respectively, after taking into account the declaration of dividend of RMB100,000,000. Except as disclosed above, no adjustment has been made to the unaudited **[REDACTED]** adjusted net tangible assets of the Group attributable to owners of the Company as of December 31, 2023 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2023.

For the purpose of this unaudited **[REDACTED]** statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB[0.9104]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS AND [REDACTED]

Assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of between **[REDACTED]** and **[REDACTED]** per **[REDACTED]**), we estimate that we will receive **[REDACTED]** of approximately **[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. We intend to use our **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately **[REDACTED]** (or **[REDACTED]**) is expected to be used for pursuing acquisition and investment opportunities;
- Approximately **[REDACTED]** (or **[REDACTED]**) is expected to be used for product development;
- Approximately **[REDACTED]** (or **[REDACTED]**) is expected to be used for sales channel expansion;
- Approximately **[REDACTED]** (or **[REDACTED]**) is expected to be used for ESG-related investments; and
- Approximately **[REDACTED]** (or **[REDACTED]**) is expected to be used for working capital and other general corporate purposes.

See "Future Plans and **[REDACTED]**" for further details.

[REDACTED]

Our **[REDACTED]** represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]**, and no exercise of the **[REDACTED]**, we estimate that our **[REDACTED]** will be approximately **[REDACTED]**, accounting for approximately **[REDACTED]** of our **[REDACTED]**, including (i) **[REDACTED]** expenses of approximately **[REDACTED]**, and (ii) non-**[REDACTED]** related expenses of approximately **[REDACTED]**, comprising (a) **[REDACTED]** fee of approximately **[REDACTED]**, (b) fees and expenses of legal advisors and Reporting Accountant of approximately **[REDACTED]**, and (c) other fees and expenses of approximately **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** expenses of approximately **[REDACTED]**, which was charged to our consolidated statements of profit or loss. We expect to further incur **[REDACTED]** of approximately **[REDACTED]** upon completion of the **[REDACTED]**, out of which approximately **[REDACTED]** is expected to be charged to our consolidated statements of profit or loss and approximately **[REDACTED]** is expected to be deducted from equity. The **[REDACTED]** above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain technical terms are explained in the section "Glossary of Technical Terms."

"A$"	Australian dollars, the lawful currency of Australia
"Accountant's Report"	The accountants' report prepared by PwC, details of which are set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the Board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

"Carote (Shenzhen) Trading"	Carote (Shenzhen) Trading Co., Ltd.* (卡羅特(深圳)商貿有限公司), a company established in China with limited liability on November 23, 2022 and one of our subsidiaries
"Carote (Singapore) Management"	Carote (Singapore) Management Pte. Ltd, a limited liability company incorporated in Singapore on March 12, 2021 and one of our subsidiaries
"Carote Australia"	Carote Kitchenware (Australia) PTY Ltd, a limited liability company incorporated in Australia on May 22, 2018 and one of our subsidiaries

DEFINITIONS

"Carote CM"	Carote CM Limited Partnership, a limited partnership registered on November 24, 2022 in the British Virgin Islands and one of our Employee Shareholding Platforms whose general partner is Mr. Zhang and whose limited partner is Luo Qin Investment
"Carote Germany"	Carote Deutschland AG, a limited liability company incorporated in Germany on October 24, 2023 and one of our subsidiaries
"Carote Global"	Carote Global Limited (卡羅特環球有限公司), a limited liability company incorporated in Hong Kong SAR on November 30, 2020 and one of our subsidiaries
"Carote Group"	Carote Group Limited (卡羅特集團有限公司), a limited liability company incorporated in Hong Kong SAR on March 7, 2023 and one of our subsidiaries
"Carote India"	Carote Kitchenware India Private Limited, a limited liability company incorporated in India on August 21, 2019 and one of our subsidiaries
"Carote Indonesia"	PT Carote Kitchenware Indonesia, a limited liability company incorporated in Indonesia on November 14, 2019 and one of our subsidiaries
"Carote International"	Carote International Limited (卡羅特國際有限公司) (formerly known as Zhejiang Carote Ind & Trade Co., Limited (浙江卡羅特工貿有限公司)), a limited liability company incorporated in Hong Kong SAR on March 25, 2015 and one of our subsidiaries
"Carote Japan"	Carote Kitchenware Co., Ltd (カローテ株式會社), a company incorporated in Japan on June 25, 2020 and one of our subsidiaries
"Carote Kitchenware (Singapore)"	Carote Kitchenware (Singapore) Pte. Ltd., a limited liability company incorporated in Singapore on September 22, 2018 and one of our subsidiaries

"Carote Korea"	Carote Korea Co., Ltd, a limited liability company incorporated in South Korea on December 6, 2019 and one of our subsidiaries
"Carote Malaysia"	Carote (Malaysia) Sdn. Bhd., a limited liability company incorporated in Malaysia on November 11, 2019 and one of our subsidiaries
"Carote Philippines"	Carote (Philippines) Kitchenware Ltd Corp., a limited liability company incorporated in the Philippines on August 16, 2021 and one of our subsidiaries
"Carote U.K."	Carote International Limited, a limited liability company incorporated in the United Kingdom on July 22, 1996 and one of our subsidiaries
"Carote USA"	Carote USA LLC, a limited liability company incorporated in the United States on December 2, 2019 and one of our subsidiaries
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as amended or supplemented or otherwise modified from time to time) of the Cayman Islands

[REDACTED]

"China", "Mainland China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document (unless otherwise indicated), Hong Kong, Macau and Taiwan
"CIC"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, which is an independent third party
"CIC Report"	the report prepared by CIC
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Division"	means the company division of Zhejiang Carote into two separate entities, being Zhejiang Carote and Zhejiang Leshengen, which was completed on February 8, 2023
"Company" or "our Company"	Carote Ltd, an exempted company incorporated in the Cayman Islands in the Cayman Islands under the Companies Act as an exempted company with limited liability on February 3, 2023
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang, Ms. Lyu and Intermediary Shareholders
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Denk Trade"	Denk Trade Investment Ltd, a limited liability company incorporated in the British Virgin Islands on March 13, 2023 which is wholly-owned by Mr. Hartinger and which carried out the **[REDACTED]** as our **[REDACTED]** investor
"Directors"	the directors of our Company, including all executive and independent non-executive directors

"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"EIT"	enterprise income tax
"ESOP Lock-up"	means those lock-up restrictions applicable to the Underlying ESOP Shares pursuant to the Employee Incentive Scheme, as more particularly described in "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme"
"EUR"	European dollars, the lawful currency of the European Union
"Exchange Participant(s)"	a person (a) who, in accordance with the Listing Rules of the Stock Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Employee Incentive Scheme"	the employee incentive scheme of our Company which was adopted to incentivize the Key Employees (as revised, supplemented and restated from time to time), details of which are more particularly set out in "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme"
"Employee Investment Agreements"	collectively, the employee investment agreements that were entered into between each of the Key Employees on one hand, and each of Mr. Zhang and Luoqin Enterprise on the other hand, in relation to the Employee Incentive Scheme
"Employee Shareholding Platforms"	collectively, Luo Qin Investment and Carote CM

[REDACTED]

"Gangle Kitchenware"	Zhejiang Gangle Kitchenware Co., Ltd* (浙江港樂廚具有限公司), a company established in China with limited liability on May 11, 2021 and a wholly-owned subsidiary of Zhejiang Leshengen which is ultimately controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders
"GDP"	gross domestic product

[REDACTED]

"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guodong Capital"	Guodong Capital Ltd, a limited liability company incorporated in the British Virgin Islands on November 1, 2022 which is held as to 100% by Mr. Zhang
"Hangzhou Carote Home"	Hangzhou Carote Home Furnishings Co., Ltd (杭州卡羅特家居用品有限公司), a company established in China on December 18, 2019 and one of our subsidiaries
"Hangzhou Carote Trading"	Hangzhou Carote Trading Co., Ltd* (杭州卡羅特商貿有限公司), a company established in China with limited liability on January 30, 2019 and one of our subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants

[REDACTED]

[REDACTED]

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

[REDACTED]

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

"Hong Kong" or "HK" or "Hong Kong SAR"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"INR"	Rupees, the lawful currency of India
"Intermediary Shareholders"	has the meaning as defined in the section headed "Relationship with our Controlling Shareholders" in this document

[REDACTED]

"Joint Sponsors"	BNP Paribas Securities (Asia) Limited and CMB International Capital Limited (in alphabetical order)
"Key Employees"	collectively, Mr. Zhang Jincai, Mr. Xia, Ms. Meng and Ms. Xue

"Kesheng Technology"	Yongkang Kesheng Technology Development Partnership* (永康可昇科技發展合夥企業(有限合夥)), a limited partnership established in China on June 19, 2020 which was formerly known as Hangzhou Kesheng Technology Development Partnership* (杭州可昇科技發展合夥企業(有限合夥))
"Latest Practicable Date"	March 4, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Legang Technology"	Yongkang Legang Technology Development Partnership* (永康樂港科技發展合夥企業(有限合夥)), a limited partnership established in China on July 16, 2020 which was formerly known as Hangzhou Carote Technology Development Partnership* (杭州卡羅特科技發展合夥企業(有限合夥)) and which is controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders
"LEI"	Legal Entity Identifier
"Limited Partnership Agreement"	the limited partnership agreement dated March 1, 2024 and entered into between the Key Employees, Guodong Capital and Luo Qin Investment in relation to Carote CM and the Employee Incentive Scheme
"**[REDACTED]**"	the **[REDACTED]** of the Hong Kong Stock Exchange

[REDACTED]

"Luo Qin Investment"	Luo Qin Investment Ltd, a limited liability company incorporated in the British Virgin Islands on February 23, 2023, being one of our Employee Shareholding Platforms and which is held by the Key Employees for the purposes of the Employee Incentive Scheme

"Luoqin Enterprise"	Yongkang City Luoqin Enterprise Management Partnership* (永康市羅勤企業管理合夥企業(有限合夥)), a limited partnership established in China on February 28, 2023, as predecessor of our Employee Shareholding Platforms, Luo Qin Investment and Carote CM for the purposes of the Employee Incentive Scheme and which was held by the Key Employees for such purposes
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange

[REDACTED]

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended, which shall become effective on the **[REDACTED]**

[REDACTED]

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Hartinger"	Thomas Rudolf Robert Hartinger, who holds the entire issued share capital of Denk Trade
"Mr. Xia"	Mr. Xia Chenhao (夏宸顥), an executive Director of our Company
"Mr. Zhang"	Mr. Zhang Guodong (章國棟), an executive Director of our Company and the spouse of Ms. Lyu
"Ms. Lyu"	Ms. Lyu Yili (呂伊俐), an executive Director of our Company and the spouse of Mr. Zhang
"Ms. Meng"	Ms. Meng Haifang (孟海方), our financial director
"Ms. Xue"	Ms. Xue Yun'er (薛芸兒), our chief operating officer for North America

DEFINITIONS

"NECIPS"	means the National Enterprise Credit Information Publicity System (全國企業信用資訊公示系統) maintained and operated by the SAMR

[REDACTED]

"Partnership Interests"	means the interests held by the Key Employees in the Luo Qin Investment, as more particularly described in "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC government" or "Central Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Advisors"	King & Wood Mallesons (Beijing) and King & Wood Mallesons (Hangzhou), our legal advisors as to PRC laws
"Pre-**[REDACTED]** Investment"	the subscription of 1% of the equity interest in Zhejiang Carote by Denk Trade which was later exchanged into Shares held by Denk Trade in our Company, as more particularly described in "History, Reorganization and Corporate Structure"
"Premises"	the premises located at Floor 1–2, Building No. 2, Shangbazhao Factory Building, Jiangnan Street, Yongkang City, Zhejiang Province, China, with a usable floor area of 14,000 square meters held by Zhejiang Leshengen as of the Latest Practicable Date

[REDACTED]

[REDACTED]

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their or the Company's respective directors, officers or representatives or any other parties involved in the **[REDACTED]**
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undertaken by our Group in preparation for the **[REDACTED]**, details of which are set out in the section headed "History, Reorganization and Corporate Structure"
"Reporting Accountant"	PricewaterhouseCoopers, the reporting accountant of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the SAMR
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

"SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"SOE(s)"	state-owned enterprise(s)
"Share Subdivision"	the split and subdivision of each share in the Company's issued and unissued share capital with a par value of US$0.01 each into 20 Shares of the corresponding class with a par value of US$0.0005 each on February 29, 2024
"Share(s)"	(i) prior to the Share Subdivision, ordinary shares in the capital of our Company with a nominal value of US$0.01 each; and (ii) following the Share Subdivision, ordinary shares in the capital of our Company with a nominal value of US$0.0005 each
"sq.m."	square meters

[REDACTED]

"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the period comprising the years ended December 31, 2021, 2022 and 2023
"UK" or "United Kingdom"	means the United Kingdom of Great Britain and Northern Ireland
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"U.S.", "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Underlying ESOP Shares"	means those Shares in the Company held by Carote CM associated with the Partnership Interests held by Key Employees pursuant to the Employee Incentive Scheme, as more particularly described in "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme"

[REDACTED]

"Unlocked ESOP Shares"	means those Underlying ESOP Shares which have ceased to be subject to the ESOP Lock-up
"Unlocking Date"	means the date(s) on which certain portions of the Underlying ESOP Shares held by Key Employees cease to be subject to ESOP Lock-up pursuant to the Employee Incentive Scheme, as more particularly described in "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme"
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax

[REDACTED]

"Yili Capital"	Yili Capital Ltd, a limited liability company incorporated in the British Virgin Islands on November 1, 2022 which is held as to 100% by Ms. Lyu
"Yili Investment"	Yili Investment Holdings Ltd, a limited liability company incorporated in the British Virgin Islands on November 16, 2022 which is ultimately controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders
"Yongkang City Carote"	means Yongkang City Carote Import and Export Co., Ltd.* (永康市卡羅特進出口有限公司), a company established in China with limited liability on September 1, 2014, one of our subsidiaries
"Yongkang Land Parcel"	the land parcel located at Plot SBZ-01, Hardware Industrial Park*, Jiangnan Street, Yongkang City, Jinhua City, Zhejiang Province, China (浙江省金華市永康市江南街道五金產業園 S B Z-01 地塊) held by Zhejiang Leshengen as of the Latest Practicable Date
"Zhejiang Carote"	means Zhejiang Carote Industry & Trade Co., Ltd. (浙江卡羅特工貿有限公司), a company established in China with limited liability on April 28, 2007, and our main operating entity in China
"Zhejiang Leshengen Lease"	means the lease entered into between Zhejiang Leshengen as landlord and Zhejiang Carote as tenant in relation to the Premises

"Zhejiang Leshengen"	means Zhejiang Leshengen Trading Co., Ltd* (浙江樂昇恩商貿有限公司), a company formed by way of company division of Zhejiang Carote and deemed to be established in China with limited liability on February 8, 2023 and which is ultimately controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders
"Zhejiang Shengen"	Zhejiang Shengen Daily Necessities Co. Ltd* (浙江昇恩日用品有限公司), which was formerly known as Zhejiang Shengen Kitchenware Co. Ltd* (浙江昇恩厨具有限公司), a company with limited liability established in China on October 13, 2021 and which is controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders
"Zhejiang Taige Electric"	Zhejiang Taige Electric Co., Ltd.* (浙江泰戈電器有限公司) which is formerly known as Zhejiang Carote Cookware Co., Ltd.* (浙江卡羅特炊具有限公司), a company incorporated in China with limited liability on May 12, 2020, which ceased to be a subsidiary of the Group as a result of the Reorganization
"%"	per cent

Unless expressly stated or the context otherwise requires, all information and data in this document is as of the Latest Practicable Date.

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language, or vice versa, are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate
"GFA"	gross floor area
"ODM"	acronym for "original design manufacturing," whereby products are designed and manufactured by a company for sale under the branding of another company
"OEM"	acronym for "original equipment manufacturing," whereby products are manufactured in accordance with a customer's specifications for sale under the customer's brand
"SKU"	stock keeping unit, a unique identifier for each distinct product and service that can be purchased
"die-cast" or "die-casting"	a metal casting process that is characterized by forcing molten metal under high pressure into a mold cavity
"stretching"	a metal forming process in which a piece of sheet metal is stretched and bent over a die in order to form large contoured parts or shapes

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and market in which we operate;
- our financial condition and operating results and performance;
- the effects of the global financial markets and economic environment;
- our ability to reduce costs and offer competitive prices;

- our ability to attract customers and build our brand image;
- our dividend policy;
- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- certain statements in the sections headed "Business" and "Financial Information" of this document with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this document that are not historical facts.

This document also contains market data and projections that are based on a number of assumptions. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely on forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an **[REDACTED]** *in our Shares. These risks could materially and adversely affect our business, financial condition, and results of operations. The* **[REDACTED]** *of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your* **[REDACTED]**. *Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, and results of operations. You should seek professional advice from relevant advisors regarding your* **[REDACTED]** *in the context of your particular circumstances.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success is dependent on the continued popularity of our products, successful launches of new products, and our ability to anticipate and respond to changes in consumer preferences in a timely manner.

We cannot guarantee the continued popularity of our kitchenware products. The success of our business depends on our ability to consistently offer appealing products that align with consumer preferences. However, consumer preferences can vary widely across different markets and regions and be influenced by factors such as demographics, social trends, economic conditions, and competitor strategies. In particular, consumers around the world are exposed to more cross-cultural culinary experiences, leading to changes in cooking and diet habits. This has further diversified the demand for kitchenware products. As a result, our offerings may experience shifts in popularity over time due to these changing consumer preferences. Consequently, our ability to stay informed about emerging consumer preferences and proactively anticipate product trends is essential to maintaining our competitive edge and ensure continued growth. However, there is no guarantee that our current product range will remain popular or that we can continue to provide products that swiftly adapt to changing consumer preferences. Any failure in this regard may have a negative impact on our prospects and results of operations.

Furthermore, our efforts to launch new products may not always be successful. We continuously introduce new kitchenware products with the aim of adapting to evolving consumer preferences and keeping our customers engaged. We devote significant resources to product design and development, facilitated by our in-house product design and develop team with extensive experience in this field, as well as our sales and operations team who offer valuable insights through market research and customer feedback. This comprehensive process for developing a new product, including steps such as conducting comprehensive market research to understand the specific needs of customers, demands substantial resources. Despite our efforts, there is no assurance that our new products will always have designs that universally appeal to consumers. As a result, we may spend substantial resources developing new products that fail to achieve expected sales levels.

In addition, introducing new products in new markets carries inherent market risks, including uncertainties regarding marketing and consumer preferences. When expanding into new markets, our initial lack of understanding of local cultures and lifestyles may pose challenges in launching products that resonate with the local consumers. Failing to anticipate and respond to these preferences can have adverse effects on our sales performance and profitability. See "— Expanding product offerings may expose us to new challenges and risks."

Our branded business relies, and may continue to rely, on certain prominent e-commerce platforms for its operations, and is exposed to various risks associated with operating on these platforms.

Our branded business is centered around direct customer engagement and relies on online channels to reach customers and conduct sales. As a result, collaboration with major e-commerce platforms where we operate our online stores, such as Amazon, Tmall, Lazada and Rakuten, is key to our operational success and expanding our customer base. However, we cannot assure you that we will be able to maintain our collaboration with these e-commerce platforms in the future. We may not be able to successfully extend or renew our current arrangements with these e-commerce platforms on commercially reasonable terms, or at all, upon expiration or early termination of the current arrangements. If we are unable to maintain our collaboration with the e-commerce platforms or continuously attract customers through these channels, our sales volume may decrease significantly, which could adversely affect our business and results of operations. Moreover, if any e-commerce platform terminates its business relationship with us, we may not be able to find alternative sales channels as replacement in a timely manner, or at all, and our results of operations could be materially and adversely affected.

Furthermore, we are exposed to the risk of reduced traffic and demand on the e-commerce platforms. Our products are listed on these platforms, and we attract potential customers through advertising posts. However, if our product listings receive less prominent placement or fail to appear in search results for any reason, visits to our listings could significantly decline, leading to reduced publicity and demand for our products. In addition, these e-commerce platforms may change their advertising policies from time to time. Any changes to these policies that delay or prevent us from any forms of online advertising, product sales, customer interactions, after-sales services, or receipt of real-time feedback from customers, could result in reduced traffic to our listings and adversely affect our sale of products. Moreover, unforeseen developments in the e-commerce industry could also affect us. If we fail to anticipate or adapt to these changes, our ability to achieve prominence through advertising and or other means may be hindered, which could lead to reduced demand for our products and negative affect our overall business and operating results.

The expansion and profitability of our business depend on the level of consumer demand and discretionary spending, which could be greatly affected by factors such as economic downturn and inflation globally.

The success of our business depends, to a significant extent, on consumer demand and discretionary spending in the markets where we sell our products. Numerous external factors beyond our control can influence the level of consumer demand and discretionary spending on our products. These factors include general economic conditions, inflationary pressures, consumer disposable income, recession concerns, unemployment rates, geopolitical tensions, disease outbreaks, availability of consumer credit, consumer debt levels, interest rates, sales tax rates and increases, and consumer perceptions of personal well-being and security. Reduced consumer confidence and spending cutbacks can lead to a decrease in demand for our products, adversely affecting our results of operations and financial condition.

In particular, since the COVID-19 outbreak, the global economy has faced significant challenges, including disruptions across industries and supply chains, inflationary pressures in many countries and ongoing volatility in global markets. Any extended global economic downturn could lead to decreased discretionary spending in the geographic markets where we operate, causing consumers to reduce their purchases from us. As a result, we may have difficulty maintaining or expanding our revenue or customer base, which could have a material and adverse effect on our business, results of operations, and financial condition.

Our branded business is highly dependent on our brand image and reputation and if we fail to maintain and enhance our brand image and reputation, consumer recognition of and trust in our products could be adversely affected.

During the Track Record Period, we generated a substantial portion of our revenue from the sale of our self-branded kitchenware products contributing significantly to our overall operating results. In 2021, 2022 and 2023, revenue from branded business accounted for 41.9%, 69.1%, and 87.2% of our total revenue, respectively. Our "CAROTE" brand name has become a valuable asset, recognized by consumers for its aesthetics, quality and reliability. Our continued success and growth will therefore largely depend on our ability to maintain and enhance our brand name and reputation, both in our existing markets and the new markets that we intend to expand into.

However, we cannot guarantee that we will always be successful in maintaining our brand name and reputation. Potential risks such as counterfeit products, product defects, product liability claims, consumer complaints, intellectual property infringement claims, or negative publicity or media coverage, may damage our brand and reputation. Any negative claims against us, even if unwarranted or unsuccessful, may divert our management's attention and other resources from our day-to-day operations, which could adversely affect our business, results of operations, and financial condition. Negative media coverage, particularly concerning the safety, price levels or quality of our products, could result in a material adverse effect on consumer acceptance or trust in us and our products.

We face intense competition in various geographic markets where we operate and if we are unable to compete successfully, our business, results of operations, and financial condition could be materially and adversely affected.

The kitchenware industry in various geographic markets where we operate is highly competitive. Whether in China or other overseas markets, we face competition from local businesses, including well-established players in the industry with more extensive resources than us.

To maintain our market share and a competitive edge, we are committed to continuously offering quality products at competitive prices, supported by effective cost control measures. However, if we fail to effectively implement these cost-effective measures, we may be unable to offer competitive prices to gain an advantage and, consequently, our business and results of operations may be adversely affected.

In addition to cost controls, we allocate significant resources to product design and development to remain competitive. However, the success of our new product offering is not guaranteed. External factors beyond our control, such as changes in consumer preferences, household incomes, and technological advancements, can influence the popularity of our existing and newly launched products. We cannot guarantee the commercial success of our innovation efforts, and there is a possibility that our new products may not achieve the desired outcomes. Failing to continuously introduce innovative products at competitive prices could potentially diminish the appeal of our offerings, thus impeding our business growth.

Furthermore, if our competitors continued to innovate their products and expand their business operations and market shares, we may not be able to maintain our competitiveness and continue our market growth. According to the CIC Report, the market size of certain geographic regions such as Western Europe may not grow as much compared to other geographic regions. If any of our competitors aggressively expand their sales network internationally or successfully increase their online sales in these regions, we may not be able to increase our sales as expected. In addition, if we are unable to compete effectively leveraging competitive edges in pricing and product offering, we may not be able to maintain our current operating results, and our business prospects and future profitability could be adversely affected.

Expanding product offerings may expose us to new challenges and risks.

We aim to continuously expand our product range to meet evolving customer needs and preferences. This includes expanding our existing offerings as well as venturing into new categories like kitchen appliances to further diversify our product range. However, such efforts may come with substantial risks and challenges. For instance, by expanding our product offerings to include a broader range of items or SKUs, we may inadvertently increase complexity in inventory management and exert additional pressure on our procurement practice, requiring significant resources to predict and meet customer demand. Furthermore, a broader product range could result in higher return rates and increased consumer complaints, particularly if these new products do not meet the standards our customer have come to expect. Such issues, if not managed effectively, could lead to costly product liability claims and cause damage to our reputation and financial performance, undermining the customer-centric approach in our operation and expansion endeavors.

In particular, we may face various additional challenges when expanding into new product categories. We may fail to introduce products that align with shifts in customer preferences, or misjudge consumer demand for our new products, resulting in inventory buildup and costly inventory write-downs. Moreover, to gain market share in new product categories, aggressive pricing strategies might be required. Such strategies, while effective in attracting customers, could adversely impact our profitability. In addition to these market challenges, we may also encounter difficulties in sourcing and production processes that delay our product release and delivery. Furthermore, each new product may be subject to its own set of regulatory requirements, varying by jurisdictions and markets. Navigating this regulatory landscape can be both complex and costly. Failure to effectively manage these risks and challenges in the introduction of new products could have a material adverse effect on our business, results of operations, and financial condition. See "— Our success is dependent on the continued popularity of our products, successful launches of new products, and our ability to anticipate and respond to changes in consumer preferences in a timely manner."

We are subject to risks associated with contract manufacturing.

We rely on third parties to manufacture our products. During the Track Record Period up to the Latest Practicable Date, we have sourced our products from over 500 third-party contract manufacturers. Our procurement practice involves placing individual purchase orders according to our business demand, and we have not entered into any master agreements or long-term contracts with any third-party manufacturer. If we cannot maintain our current relationship with our major contract manufacturers, we may not be able to promptly find new qualified third-party manufacturers. This, in turn, could lead to delay in order fulfillment and potentially disrupt our business operations, thereby adversely affecting our results of operations and financial condition.

We are exposed to quality risks related to the products manufactured by our contract manufacturers. Although we have in place quality control measures, such as pre-production testing, random sample testing during production, and quality checks and sampling measures upon receiving of finished products from our contract manufacturers, we cannot guarantee complete oversight over the manufacturing process or the procurement of raw materials. This lack of control presents potential risks to our business. The quality control system of our contract manufacturers may not be adequate and could have deficiencies that we are unaware of, which may lead to hidden defects in the products that are difficult to detect upon receipt. Any failure in maintaining product quality could subject us to product liability claims and adversely affect our reputation, business prospects and results of operations. Even if we are able to identify any hidden defects, the process of returning and re-supplying a new batch of products can be time-consuming, leading to delays in delivery and potential claims of contractual liabilities from our customers. Such circumstances could have a material and adverse effect on our reputation, business prospects and results of operations.

In addition, we may be affected by fluctuations in the production costs of our contract manufacturers. Our contract manufacturers use a variety of raw materials, labor, electricity, and other resources to produce our kitchenware products. The production costs of these third-party manufacturers may rise if the price of key raw materials such as aluminum increases, which in turn may affect our product pricing. We cannot guarantee that we can be immune from such risks despite our long-standing relationship with our contract manufacturers.

Our branded business and its financial performance are subject to the development of the local e-commerce industry in countries and regions where we operate our business.

We generate revenue from selling kitchenware products through online operations in both domestic and various overseas markets. The viability and growth of our business are highly dependent on the prospects of the e-commerce industry in the countries and regions where we currently operate and the potential markets for future expansions. However, the development of the e-commerce industry in a market is affected by a number of factors, most of which are beyond our control. These factors include:

- the growth of broadband and mobile internet penetration and usage;
- the availability, performance, reliability of local transportation, telecommunication, and internet infrastructure;
- the cost of internet access;
- the trust and confidence level of e-commerce sellers and consumers;
- the development of order fulfillment, payment, and other ancillary services for e-commerce;
- the laws and regulations, and government policies that govern the e-commerce industry; and
- the availability of alternative business models that better suit the needs of local consumers.

In addition, in some emerging markets where we operate, e-commerce is relatively new, and only recently have certain regional e-commerce platforms experienced significant growth. The future developments of the e-commerce industry in these markets would depend, to a significant extent, on improvements in transportation and logistics infrastructure, as well as advancements in electronic payment systems and other external factors that are beyond our control. If the markets where we expect to expand our business lack satisfactory infrastructure support, our ability to implement our business strategies as expected may be hindered. Similarly, if the infrastructure of the markets where we currently operate our business is impaired, it could have a negative impact on our ability to sell our products and provide satisfactory customer services. As a result, our business operations and financial results may be adversely affected.

Any quality issues associated with our products may expose us to potential liabilities, subject us to risks relating to warranty claims, result in lost customers and sales, product recalls and increased compliance costs, which could adversely affect our results of operations and financial condition.

Our commercial success depends on consistently delivering quality and reliable products. If the quality of any of our products deteriorates or fail to meet consumers' expectations, we may face customer complaints, return requests, or order cancellations. We contract with third party manufacturers in producing our products and, therefore, are exposed to multiple quality risks. Various factors such as human oversight, limitations in identifying hidden defects, and quality risks associated with contract manufacturing including a lack of direct control over the manufacturing processes, may result in potential failure in ensuring product quality. See "— We are subject to risks associated with contract manufacturing."

Any defects in our products could expose us to potential liabilities, such as warranty claims, product returns, or claims for damages. We have adopted return policies to ensure a convenient experience for our customers when returning purchased products. For example, in the PRC market, we offer a 15-day "no reason" return policy, allowing customers to exchange or return products without providing a specific reason. Also, all our products come with a one-year limited warranty, which covers any defects caused by manufacturing flaws. However, there is no guarantee that these return policies may be sufficient and effective in timely addressing customers' concerns. If our provisions for warranty are not adequate to cover all these liabilities, our results of operations and financial condition could be negatively impacted. In addition, we may also be required by law to modify or introduce new warranty and return policies, especially in jurisdictions that prioritize consumer protection. While these policies can enhance customer experience and loyalty, they also bring additional costs and expenses that may not be fully offset by increased prices. Furthermore, we cannot assure you that our return and warranty policies will not be potentially misused by our customers and if a significant number of consumers misuse our warranty and return policies, it could substantially increase our costs and adversely affect our results of operations. On the other hand, if we revise these policies to reduce costs, it could lead to consumer dissatisfaction, potentially resulting in the loss of existing customers or the inability to acquire new ones. This in turn could have a negative impact on our business, prospects, results of operations, and financial condition.

We may need to incur significant costs to address quality issues, including those related to product recalls. In the event of defective products, we could be compelled to recall our products and become subject to product liability claims, which may cause financial and reputational damage. Even if we ultimately prevail in defending against such claims, we may still incur substantial costs. Any quality issues of our product would have a negative impact on our sales, adversely affecting our results of operations and financial condition. In addition, we are subject to law and regulations governing the quality of our products and we may incur additional costs if such law and regulations become more stringent. See "— We may be subject to regulatory actions, legal proceedings, disputes, and other liabilities in our ordinary course of business."

Our international operations are subject to a variety of costs and legal, regulatory, political, and economic risks.

During the Track Record Period, we derived a significant portion of our total revenue from our international operations. Our revenue from markets outside of Mainland China was RMB503.7 million, RMB491.5 million, and RMB1,255.6 million in 2021, 2022 and 2023, accounting for 74.6%, 64.0%, and 79.3% of our total revenue, respectively. As of the Latest Practicable Date, we sell our kitchenware products in 20 geographic makets globally, which include the United States, Germany, Italy, Japan, Philippines, Singapore, among others. Compared to operating in Mainland China, our home market, conducting our business internationally, particularly in emerging markets and countries in which we have limited prior experience, subjects us to additional risks and challenges, including:

- limited brand recognition;
- negotiation with suitable e-commerce platform to effectively offer our products;
- operational challenges due to distance, language, and cultural differences;
- underdeveloped logistics, delivery, and digital infrastructure to support our online sales;
- compliance with multiple and potentially conflicting laws and regulations governing various aspects of our operations, including competition, pricing, internet activities, transportation, logistics, tariffs, trade protection, and other activities important to our business;
- competition with existing players in the kitchenware industry;
- varied levels of internet and e-commerce penetration across regions;
- exposure to business cultures where improper business practices may be prevalent;
- difficulties in managing, growing, and staffing international operations;
- challenges in cultivating and maintaining productive relationships with local business partners, such as retailers;

- impact of import and export restrictions and changes in trade regulations;
- risks associated with legal systems subject to undue influence or corruption;
- vulnerability to changes in specific country's or region's political, social, or economic conditions; and
- geopolitical events, including pandemic, war, and terrorism.

Our ability to maintain and expand our presence in the international market will be critical to the success of our business. However, there is no guarantee of this, and any of the aforementioned risks could pose significant challenges for us. If we are unable to manage one or more of these risks adequately, our results of operations and financial condition may be materially and adversely affected.

If we are unable to effectively manage our inventory or maintain optimal inventory levels, our inventory may suffer from obsolescence or shortages, and our business, results of operations, and financial condition may be adversely affected.

We continuously improve our products and launch new products that respond to evolving consumer preferences, which require us to manage our inventory effectively. Our inventories were RMB30.5 million, RMB42.2 million and RMB108.3 million as of December 31, 2021, 2022 and 2023, respectively. In 2021, 2022 and 2023, our average inventory turnover days were 17.5 days, 26.9 days, and 27.0 days, respectively. We base our purchase decisions and inventory management primarily on our understanding of our industry and forecast of market demand for our products. However, our forecast for demand may not accurately reflect the actual market demand. Significant and unpredictable shifts in market demand can affect the accuracy of our market demand forecast and the effectiveness of our procurement and inventory management practice, and we may not be able to timely mitigate the resulting inventory pressure or at all. Moreover, it can also prove challenging to accurately forecast the market demand for our products and determine the optimal inventory levels. Factors such as new product launches, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, and changes in consumer preferences with respect to our products can all affect market demand, leading to unpredictable purchasing behaviors and quantities that may deviate from our expectations.

Furthermore, we face particular challenges in inventory management associated with our business model. Our international operations entail long-distance transportation and the resulting increase in lead time making it more challenging for us to respond swiftly to market changes and demand fluctuations. Additionally, during major promotions and holidays on the e-commerce platforms we partner with, there could be a surge in sales that exceed the best forecasts of customer demand. If we fail to manage our inventory effectively, we may face inventory obsolescence, resulting in decline in inventory values and possible inventory write-downs or write-offs. Moreover, excessive inventory levels may tie up substantial capital resources, preventing us from using that capital for other important purposes. If we underestimate customer demand, or if our contract manufacturers fail to deliver sufficient products in a timely manner, we may experience inventory shortages, which may result in missed sales, additional costs to secure the necessary production, delivery delays, reduced customer loyalty, and lost revenues. In addition, if we are required to lower sale prices to reduce inventory level or to pay higher prices to manufacturers in order to meet orders, our profit margins may be negatively affected. Any of the above may materially and adversely affect our business, results of operations, and financial condition.

Our products may not be delivered to our customers in a timely manner, which may subject us to contract liabilities.

We are exposed to certain risks relating to the delivery of our products. Our self-branded products are primarily sold through e-commerce platforms, and we fulfill orders by either delivering our products to the e-commerce platforms and have them handle last-mile delivery to customers, or engage independent third-party delivery companies to directly deliver the products to end customers.

The operation of these e-commerce platforms significantly impacts our transaction process, including how purchase orders are fulfilled in each case. When we deliver products to the e-commerce platforms, we may have limited control over the last-mile delivery that are handled by these platforms. As a result, we cannot guarantee that our products will be successfully delivered to customers by the collaborating platforms. Any failure to deliver products on time could increase our cost of sales and damage our reputation. In addition, our reliance on independent third-party delivery companies for transporting our products to the e-commerce platforms or directly to the customers expose us to potential contract liabilities. Any failure by these delivery companies to fulfill their obligations could adversely affect our business operations and financial results.

Our success depends on the continuing services of our senior management and key employees and our ability to continuously attract talents.

Our future performance depends on the continued services and contributions of our senior management and other key employees, which play a pivotal role in executing our business plan and identifying new opportunities and product advancements. For instance, Mr. Zhang together with our operational teams have been instrumental in establishing our presence across different markets, and we expect to further our global expansion through their efforts. The success of our business, therefore, is dependent on our ability to attract and retain a team with entrepreneurial spirit, industry expertise, and local knowledge in the various markets where we operate or plan to operate.

The loss of services of senior management or key employees could significantly impede the achievement of our strategic objectives. Such a loss could adversely affect our corporate culture, business, financial condition, and operating results. Replacing key personnel would require significant amounts of time, training, and resources to find suitable replacements and integrate them into our business and corporate culture. Furthermore, our rapid growth requires us to recruit, train, and retain a wide range of talent who can adapt to a dynamic, competitive, and challenging business environment and contribute to our growth. We are committed to seeking qualified personnel to support our business operations and planned business growth. However, failure to recruit, train, and retain sufficient qualified personnel while managing our labor costs may have a material and adverse impact on our business.

Our international operations may be subject to transfer pricing adjustments by competent authorities.

During the Track Record Period, we engaged in intra-group transactions involving transfer pricing arrangement. These transactions primarily involved the purchase and sale of tangible goods and provision of back-end operational services among our subsidiaries. See "Business — Transfer Pricing Arrangement." In 2021, 2022 and 2023, the total value of such intra-group transactions amounted to RMB61.1 million, RMB163.9 million, and RMB697.0 million, respectively. During the Track Record Period, we did not receive any demands or challenges from relevant authorities in any jurisdiction for additional tax payment. We made certain voluntary transfer pricing adjustments based on a transfer pricing review and findings from a benchmarking study conducted by our Transfer Pricing Advisor. We believe that our transfer pricing arrangement after these voluntary adjustments aligns with arm's length principle and that we have complied with the relevant laws and regulations on transfer pricing.

However, the benchmarking study and the voluntary transfer pricing adjustments we have made carry no binding effect on relevant authorities. There is no assurance that the relevant authorities will not challenge our transfer pricing arrangement in the future, or that the relevant regulations or standards governing such arrangement will remain unchanged. If the relevant authorities later find that the transfer prices and terms that we have applied are not in line with arm's length negotiations, they may require us to re-assess the transfer prices, re-allocate the income, or adjust the taxable income. Any such re-allocation or adjustment could result in higher tax liabilities for us and may adversely affect our business, results of operations, and financial condition. Furthermore, failure to rectify any incidents within the limited timeframe required by the relevant authorities may result in late payment interest, surcharge, or other penalties for any unpaid taxes. Additionally, if relevant authorities challenge the transfer pricing arrangement, it could give rise to tax recoverable in certain jurisdictions due to adjustments in taxable income. However, there is no assurance that we would successfully recover such taxes from the relevant authorities, which could have a material adverse effect on our business, results of operations, and financial condition.

Our tax provisions arising from the Transfer Pricing Adjustments may not be sufficient and we may be subject to additional tax exposure.

As part of a transfer pricing review, we made certain voluntary transfer pricing adjustments upon the advice of our Transfer Pricing Advisor to ensure our intra-group transactions align with arm's length principle (the "**Transfer Pricing Adjustments**"). These adjustments resulted in the reallocation of certain profits within our Group (i) from Carote Global, our trading subsidiary in Hong Kong, to Zhejiang Carote, our primary operating subsidiary in the PRC which primarily engages in the development, sourcing, and sale of kitchenware; and (ii) from Zhejiang Carote to Hangzhou Carote Trading and Carote (Shenzhen) Trading, our operating subsidiaries in the PRC which primarily engage in the provision of business operation services. As a result, we recorded tax provisions for PRC enterprise income tax of RMB1.4 million, RMB3.2 million and RMB12.6 million in 2021, 2022, and 2023, respectively. However, there is no assurance that the relevant authorities will not challenge our transfer pricing arrangement or the Transfer Pricing Adjustments. Furthermore, our tax provisions arising from the Transfer Pricing Adjustments may be deemed insufficient by the relevant authorities, and thus we might be required to make additional tax payments.

During the Track Record Period, Carote Global did not generate any assessable profits in Hong Kong due to its offshore income claim. This offshore income claim is subject to the review and examination by the Inland Revenue Department (the "**IRD**"). There is no guarantee that the IRD will not disagree with our offshore income claim or our transfer pricing arrangements in the future and determine that we are subject to profit tax in Hong Kong.

Fluctuations in currency exchange rates may lead to volatility in our results of operations.

Our sales outside China are conducted in the local currencies of the respective countries or regions. We convert these foreign currencies into Renminbi from time to time. This process exposes us to the risk arising from fluctuations of Renminbi relative to other currencies. Any appreciation or depreciation of Renminbi against foreign currencies could result in gains or losses from foreign currency conversion transactions. Moreover, we prepare our consolidated financial statements in RMB for reporting purposes. Assets and liabilities denominated in foreign currencies, such as the U.S. dollar, Euro, and Japanese yen, are translated into RMB amounts at the exchange rate effective at the end of the reporting period. This translation process can lead to recognized gains or losses in our statement of profit or loss, directly affecting our results of operations. During the Track Record Period, we recorded net foreign exchange gains of RMB0.1 million in 2021, net foreign exchange losses of RMB1.4 million in 2022, and net foreign exchange gains of RMB15.2 million in 2023. There is no assurance that movements in currency exchange rates will be favorable to us. Fluctuations in currency exchange rate that are unfavorable to us may result in our consolidated financial statements reflecting significant adverse period-over-period changes, which could adversely affect our results of operations. In addition, to manage our exposure to exchange rate risk, we may need to enter into hedging arrangements and incur relevant costs from time to time. However, there is no assurance that we will be able to mitigate the risk of foreign exchange loss through these arrangements effectively or at reasonable cost.

We may not be able to continue our revenue growth and maintain profitability as expected.

We have experienced continued revenue growth during the Track Record Period. Our revenue increased from RMB675.3 million for 2021 to RMB768.5 million for 2022, which further increased to RMB1,583.1 million for 2023. However, there is no assurance that we can sustain this revenue growth or maintain profitability in the future. Our ability to do so depends on various factors, including the consistent sale of our existing products, the successful launches of our new products, the effective execution of our business strategies, the competitive landscape in various geographic markets where we operate, customer preferences, and the broader macroeconomic and regulatory environment. Moreover, we expect our cost of sales and operating expenses to increase as we continue to grow our business, diversify our product offerings, expand into new geographic markets, and invest in our technology infrastructure. While we may be able to sustain our revenue expansion, there remains the possibility that this growth may not occur at the projected rate, or, alternatively, it might prove inadequate to offset the rise in our cost of sales and operating expenses, thereby leading to a state of unprofitability.

Our efforts to develop new sales channels may not be successful.

During the Track Record Period, we conducted our branded business primarily through online sales channels. Specifically, these online sales channels have significantly contributed to our branded business, accounting for 98.1%, 98.6% and over 99.9% of our total revenue from our branded business for 2021, 2022 and 2023, respectively.

As part of our growth strategies, we are selectively seeking opportunities to expand our presence into offline markets. See "Business — Sales and Marketing — Offline Sales." This planned expansion is key to accessing a broader customer base and complementing our thriving online operations. However, there is no assurance that our effort in this regard will be successful. Our move into new sales channels may present operational challenges for us, especially given our limited experience in the offline markets. We might face difficulties in penetrating the targeted offline markets. Moreover, establishing or enhancing brand awareness in the offline markets may require substantial investments in advertising and promotional activities. Such an increase in expenditure could lead to additional operating costs and impact our profitability.

In addition, the competition landscape in the offline markets differs from the online sector. We may face competition from market players with established offline sales channels in the local markets. There is no guarantee that we can effectively compete against them. Furthermore, developing and managing offline channels demands considerable management resources, including local management presence and the recruitment and deployment of qualified personnel. If we cannot effectively balance and manage these resources between offline and online operations, it could adversely affect our planned expansion, prospects, and results of operations.

We may not be able to enjoy a preferential tax rate and may be subject to additional taxes in the future.

During the Track Record Period, one of our operating subsidiaries in the PRC, Zhejiang Carote, was recognized as a high and new-technology enterprise and enjoyed a preferential income tax rate of 15%. According to the Enterprise Income Tax Law and relevant regulations, a qualified high and new-technology enterprise, subject to reassessment every three years, is entitled to a reduced enterprise income tax rate of 15%, compared to the standard rate of 25%. See "Financial Information — Principal Components of Consolidated Statements of Comprehensive Profit — Income Tax Expenses" and the Accountants' Report in Appendix I to this document. However, the non-recurring nature of this preferential tax treatment could negatively impact our results of operations. Zhejiang Carote is scheduled for reassessment as a high and new-technology enterprise in 2025. We cannot assure you that Zhejiang Carote will continue to be qualified as a high and new-technology enterprise and benefit from the 15% enterprise income tax rate. Furthermore, we cannot provide any guarantee that laws and regulations governing the preferential income tax rate will remain unchanged in the future. Any increase or retroactive adjustment in the enterprise income tax rate applicable to our PRC subsidiaries, or any discontinuation of preferential tax treatments, or any increase in the tax rates currently enjoyed by Zhejiang Carote, could adversely affect our results and operations and financial condition.

We are subject to credit risk of our customers which may adversely affect our financial position, profitability, and cash flow.

We are subject to credit risk of our customers and our profitability and cash flow are dependent on our receipt of timely payments from our customers. If there is any delay or default in payment by our customers, our profitability, working capital, and cash flow may be adversely affected. There is no assurance that we will be able to collect all or any of our trade receivable in a timely manner, or at all. As of December 31 2021, 2022 and 2023, our trade receivables amounted to approximately RMB63.6 million, RMB55.3 million, and RMB73.9 million, respectively. In 2021, 2022 and 2023, our average trade receivables turnover days were approximately 33.6 days, 28.3 days, and 14.9 days, respectively.

We made credit loss allowance for trade receivables of RMB0.1 million, RMB0.2 million, and RMB0.1 million in 2021, 2022 and 2023, respectively. If any of our customers faces unexpected situations, such as financial difficulties or deterioration in credit worthiness, there may be challenges in collecting full or partial payments from them, and enforcing judgment debts against them could be difficult. These unforeseen circumstances may also render our judgments or estimations on credit loss allowances inaccurate, potentially resulting in higher losses than currently estimated.

We recorded net current liabilities as of December 31, 2021 and 2022, and we may also record net current liabilities in the future.

We recorded net current liabilities of RMB102.8 million as of December 31, 2021, which decreased to RMB82.6 million as of December 31, 2022. For details, see "Financial Information — Discussion of Certain Key Consolidated Balance Sheet Items — Current Assets and Current Liabilities". We cannot assure you that we will not record net current liabilities in the future. Net current liabilities expose us to liquidity risks and constrain our operational flexibility. Our future liquidity, the payment of trade and other payables and repayment of borrowings will primarily depend on our ability to generate adequate cash inflows from our operating activities, which will be affected by our future operating performance and prevailing economic conditions, among other factors, many of which are beyond our control. If we experience a shortfall in cash flow generated from operations, our liquidity position may be materially and adversely affected, which may, in turn, adversely affect our results of operations and financial position. Moreover, if we do not have sufficient working capital to meet future financial needs, we may need to resort to external financing. Our inability to obtain additional external borrowings timely or on acceptable terms may negatively impact our development and expansion plans, and consequently, our businesses, financial positions and results of operations may be materially and adversely affected.

Our acquisitions or investments may not be successful and we may face difficulties in integrating acquired businesses with our existing operations, which may have a material adverse effect on our business, results of operations, and financial condition.

In the future, we plan to selectively acquire kitchenware brands that complement our existing business to drive sustained growth and strengthen our market position. See "Future Plans and **[REDACTED]** — **[REDACTED]**" for details. However, there can be no assurance that we will be able to execute this strategy successfully. We may face difficulty in identifying suitable acquisition opportunities, and even when suitable targets are identified, there is no certainty that we can complete the acquisition on terms acceptable to us, in a timely manner, or at all. Furthermore, acquisitions carry inherent risks and uncertainties, including, without limitation, ongoing financial commitments, unforeseen liabilities related to the acquisition target, failure to achieve the intended acquisition objective or benefits, and diversion of resources and management focus away from our existing business operations. Moreover, we may face difficulties in integrating acquired businesses into our existing operations. Our success in integration may be affected by a variety of factors, including, but are not limited to, the complexity and scale of the acquired businesses, risks involved in entering new markets, navigating unfamiliar regulatory regimes, differences in corporate cultures, inability to retain key personnel from the acquired company, and unforeseen costs related to the acquisition. Such difficulties could disrupt our business operations, divert our management's attention, and increase our operating expenses, all of which could materially and adversely affect our business, financial condition, and results of operations.

Our risk management and internal control systems have inherent limitations and may not be adequate to manage all risks in every circumstance.

We have implemented risk management and internal control systems to mitigate risks in our business operations and management. See "Business — Risk Management and Internal Controls". However, there are inherent limitations in these systems which can be difficult or even impossible to fully overcome due to the complexities of managing risks. These limitations include factors such as the difficulty in accurately predicting risks, the potential for errors in human judgment and decision-making, and the scarcity of data required to precisely assess and quantify risks. Additionally, the interconnected nature of risks and their unpredictable occurrence can further hinder the effectiveness of our risk management efforts. Moreover, resource constraints and changes in the external environment may also render our systems inadequate in identifying, mitigating, and managing risks across all market environments and all types of risks. Furthermore, our risk management and internal controls rely on the implementation by our employees. Given the large scale of our operations, there is no guarantee that human error or mistakes will be entirely avoided. Therefore, despite our efforts, we may fail to promptly and completely detect, control, or prevent fraud, mis-selling, money laundering, illegal fundraising, and other misconduct carried out by employees, agents, and other related parties. Any such misconduct may lead to legal actions, regulatory penalties, and reputational damage, which would have a material and adverse impact on our business and financial condition.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We own certain intellectual property, including our trademarks, copyrights and patents, all of which we regard as critical to our success. See "Business — Intellectual Property". In our efforts to protect these assets, we have sought intellectual property protection through filing for and obtaining patents for utility and designs. However, patent applications and other filings of intellectual property rights may be time consuming and costly. There is no guarantee that we will be able to file our application at a reasonable cost, or our application will be timely approved. Moreover, there is always a risk of misappropriation of our intellectual property by a third party. Additionally, our intellectual property rights may be challenged by a third party or be declared invalid or unenforceable. If we are not able to adequately protect our intellectual properties, our competitors may offer products with similar designs or features, leading to a loss in our market competitiveness. This could adversely and materially affect our business, results of operations and financial conditions.

In addition, we may be accused of infringing the intellectual property rights of others. We cannot guarantee that our operations or any aspects of our business do not, or will not, infringe upon or otherwise violate intellectual property rights held by third parties. There is no assurance that such challenges will not arise in the future. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. If we are found to have violated the intellectual property rights of others, we may be subject to liabilities for our infringement activities, be prohibited from using such intellectual property, and may be required to pay licensing fees or develop alternative solutions. In addition, we may incur significant expenses, and may be forced to divert management's time and resources from our business operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in substantial monetary liabilities and materially disrupt our business operations by restricting or prohibiting our use of the intellectual property in question. Consequently, our business, results of operations, and financial condition could be materially and adversely affected.

We may fail to comply with personal information and data security laws and regulations.

We collect, process, and store certain personal and transaction data in the normal course of our business. In line with the trends in many other jurisdictions, the PRC government has in recent years intensified its regulation of data processing practices, including collection, storage, use, adaptation, transfer, provision, disclosure and deletion of data. To address concerns regarding misuse of personal information and other data, the PRC government has enacted a series of laws to ensure data privacy and security, including, without limitation, the PRC Cybersecurity Law (《中華

人民共和國網路安全法》), which took effect on June 1, 2017, the PRC Personal Information Protection Law (《中華人民共和國個人資訊保護法》), which took effect on November 1, 2021, and the PRC Data Security Law (《中華人民共和國資料安全法》), which took effect on September 1, 2021.

In addition, as the use of the internet for commercial purposes continue to evolve rapidly, this has led to an increase in governmental regulations. On December 28, 2021, 13 PRC governmental and regulatory agencies, including the Cyberspace Administration of China (the "**CAC**"), promulgated the Measures for Cybersecurity Review (《網路安全審查辦法》) (the "**Cybersecurity Measures**"), which took effect on February 15, 2022. The Cybersecurity Review Measures stipulates that "critical information infrastructure operators (關鍵信息基礎設施運營者)" who purchase network products and services that affect or may affect national security, as well as internet platform operators conducting data processing activities that affect or may affect national security, shall be subject to a cybersecurity review. Additionally, internet platform operators who possess more than one million users' personal information must also apply for a cybersecurity review prior to pursuing a "listing abroad (赴國外上市)". On November 14, 2021, CAC promulgated the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》). The draft stipulates that a data processor planning to list its securities on a stock exchange in Hong Kong is required to apply for a cybersecurity review pursuant to relevant rules and regulations, if the proposed listing will affect or may affect national security. However, the draft does not provide the specific criteria for determining under what specific circumstances such listings would "affect or may affect national security." As of the Latest Practicable Date, the draft was only released for public comments. Moreover, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (《數據出境安全評估辦法》) (the "**Security Assessment Measures**") on July 7, 2022, which took effect on September 1, 2022, and the Measures on the Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) (the "**Standard Contract Measures**") on February 22, 2023, which took effect on June 1, 2023. The Security Assessment Measures stipulates that any data controller who outbound transfer critical data or a certain amount of personal information collected and generated in its operation in the PRC shall conduct a security assessment before outbound transfer the said critical data or a certain amount of personal information. Similarly, the Standard Contract Measures stipulates that any data controller who outbound transfer a certain amount of personal information collected and generated in its operation in the PRC may use the Standard Contract and file with local CAC at the provincial level to comply with relevant legal obligations for outbound transferring personal information. See "Regulatory Overview — Laws and Regulations Related to Our Business in the PRC."

Complying with applicable personal information and data security laws and regulations is an extensive and demanding process. As these laws and regulations increase in number and complexity, we cannot assure you that our data protection systems will always be considered sufficient under all applicable laws and regulations. Furthermore, we cannot assure you that the information that we process for our customers, and that which we receive from our suppliers, is always obtained and transmitted in strict compliance with relevant laws and regulations by our customers and suppliers. Moreover, there could be new laws, regulations or industry standards that require us to acquire additional licenses, change our data handling practices and privacy policies, and we may also be required to put in place additional mechanisms ensuring compliance with new data protection laws, all of which may increase our costs and materially impact our business, prospects, financial condition, and results of operations. Any potential or perceived non-compliance with data related laws and regulations may restrict our ability to use or provide certain products and services. It may also result in fines or other penalties, such as changing our business model, suspending our online sales, or halting operations completely, alongside potential reputational damages or legal actions from regulatory authorities, customers or others. Such outcomes could materially and adversely affect our business, results of operations or financial condition.

Failure by us, the e-commerce platforms that we collaborate with, or our third-party service providers to maintain data security, or any non-compliance with evolving legal requirements on data protection by us, could have a material adverse effect on our operations and profitability.

We have access to personal data belonging to our customers in our day-to-day operations, including names, addresses, phone numbers and other contact information. Ensuring the proper use and protection of this data is crucial to maintaining customer trust and confidence in our services. However, there are potential risks associated with data securities breaches and hacking attempts on our system or the systems of e-commerce platforms that we collaborate with. Such incidents could compromise the technology we use to safeguard personal data, making it vulnerable to illegal access by third parties, including hackers and other malicious entities. These unauthorized individuals or entities may misuse the personal data they obtained, engaging in various illegal activities. While we have adopted securities policy and measures, there remains a possibility that personal data could be misappropriated despite our efforts. Moreover, as we engage third party services provider, such as logistic service providers for order fulfilment, they also gain access to our customers' personal data. Our limited control over these third parties makes it difficult for us to ensure sufficient and effective safeguard of data security. In the event of a data breach by these third-party providers, we may also suffer reputational damage, which in turn could have a negative impact on our business operations.

Moreover, in recent years, practices regarding the collection, use, storage, transmission, and security of personal data have faced increased public scrutiny. The relevant regulatory frameworks worldwide are rapidly evolving. Countries such as China have adopted, and may continue to adopt new laws and regulations on data protection and privacy. Complying with these evolving regulations may subject us to additional compliance costs, divert management attention, and potentially impact our results of operations. Any failure to adequately address data protection and security concerns, or any non-compliance with applicable laws and regulations in this area, could result in additional cost and liability to us, damage our reputation, impede sales, and adversely affect our business. See "— We may fail to comply with personal information and data security laws and regulations."

We could be adversely affected by violations of anti-corruption, anti-bribery, anti-money laundering, and financial and economic sanctions in various jurisdictions where we operate.

We are subject to anti-corruption, anti-bribery, and anti-money laundering laws in various jurisdictions where we conduct activities, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010, among others. Non-compliance with these laws could subject us to whistleblower complaints, negative media coverage, investigations, and severe administrative, civil, and criminal sanctions. Additionally, there might be collateral consequences, remedial measures, and significant legal expenses, all of which could materially and adversely affect our business operations and reputation. While we have internal policies in place to ensure compliance, we cannot assure you that there will be no violation by any of our shareholders, directors, officers, employees, agents, and other parties who act on our behalf.

Furthermore, certain countries, regions, entities, or individuals are under the financial and economic sanctions programs ("**Sanctions Laws**"), which aim to achieve foreign policy and national security objectives through measures such as the blocking of assets or trade restrictions. These programs are administered by relevant authorities, including but not limited to the U.S. Department of Treasury's Office of Foreign Asset Controls, His Majesty's Treasury of the United Kingdom, the European Union, and its Member States. These Sanctions Laws are constantly evolving and impose new requirements or restrictions from time to time.

Our operations across multiple jurisdictions make it challenging in ensuring compliance. We cannot provide any assurance that our future business will be completely free of sanctions risks or will conform to the changing expectations and requirements of the authorities in the United States or any other jurisdictions. Our business and reputation could be adversely affected if the authorities in the United States or any other jurisdictions determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us.

We may be subject to regulatory actions, legal proceedings, disputes, and other liabilities in our ordinary course of business.

In the course of our ordinary business operations, we may encounter regulatory actions, legal proceedings, or disputes. We may face liabilities from legal claims related to product liability, property damage, breach of contract, unfair competition, or other matters associated with our products or the way we conduct our business. These proceedings and claims may be initiated by our customers, suppliers, employees, business partners, governments, or regulatory bodies. The potential liabilities and expenses arising from any regulatory actions, legal proceedings, or disputes could have a material and adverse impact on our business and results or operations.

As our business continues to grow and we expand our product offerings, it is possible that we will encounter regulatory actions, legal proceedings, and disputes more frequently. Addressing these issues can be time-consuming and expensive, and may require significant attention from our senior management. In addition, law and regulations governing the kitchenware industry, including those relating to product safety, consumer protection, advertising and competition, are subject to changes influenced by various factors beyond our control. These regulations may vary among the jurisdictions where we operate our business. Any regulatory actions, legal proceedings, or disputes against us may potentially damage our reputation, leading to negative publicity on us and affecting public perception on the industry as a whole. Consequently, this could negatively impact our business, prospects, results of operations, and financial condition.

Our insurance coverage is limited, which could expose us to significant costs.

We face various risks in connection with our business and maintain insurance policies to safeguard against these risks and unexpected events related to our operations. Our current insurance covers commercial general liability insurance and automobile insurance, which complies with mandatory requirements under applicable laws and regulations and aligns with industry practice. See "Business — Insurance." However, there can be no assurance that our insurance coverage will be sufficient to cover all our risk exposures and prevent us from incurring losses. In addition, there is no guarantee that we will be able to successfully claim on our current insurance policies in a timely manner or at all, as the exclusions and limitations on coverage could prevent us from claiming against the insurers. If our insurance coverage is unavailable or insufficient to address any such exposures, we may face substantial costs and resources diversion, which, in turn, could materially and adversely affect our business, results of operations, and financial condition.

To address any environmental, social and governance risks, we may incur additional costs, which may materially and adversely affect our financial performance.

To identify, manage, and mitigate environmental, social, and corporate governance (ESG) risks, we may incur additional costs and expenses which could impact our financial performance. For instance, we acknowledge the potential environmental impact associated with sourcing our products. The manufacturing process of our contract manufacturers consumes a substantial amount of energy and exerts pressure on environmental protection efforts. As a result, to address this impact, we may need to prioritize sustainable practices throughout our supply chain, which may involve implementing energy-efficient measures and collaborating with our suppliers to explore the use of eco-friendly materials. This commitment may entail incurring substantial additional costs and potentially impact our profitability. See "Business — Environmental, Social and Governance."

In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in the jurisdictions where we operate, may lead to rising compliance costs and cost of sales may rise. Failure to adapt to new regulations or meet evolving industry expectations and standards could result in consumers choosing products from other companies, which may materially and adversely affect our results of operations and financial conditions.

Trade restrictions, trade barriers and potential new duties imposed by the United States for delivery of our products could materially and adversely affect our business, prospects, results of operations, and financial condition.

During the Track Record Period, a substantial portion of our revenue was generated from the sale of kitchenware products into the United States. Specifically, in 2021, 2022 and 2023, our sales in the U.S. market accounted for 24.2%, 29.2%, and 52.7% of our total revenue for the respective period. Our business and prospects, however, are potentially vulnerable to changes in U.S. trade policies. These policies may shift particularly if the political or economic relations between China and the United States deteriorate materially. In recent years, there have already been steps taken by U.S. government to impose restrictions on trade with China, affecting areas such as import tariff, transfer of data and protection of intellectual property. Any further escalation in these trade tensions could negatively impact our sales into the United States, whether through increased tariffs, duties, export controls, restrictions on market access, or other measures. Consequently, our business, results of operations and financial condition may be adversely affected.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.

With operations in both China and multiple foreign countries, we face various risks and potential interruptions beyond our control. These risks may arise from catastrophes such as fires, earthquakes, hurricanes, floods, tornadoes, and other severe weather conditions. Additionally, we are exposed to risks related to pandemic outbreaks, global health emergencies, terrorist acts, or disruptive global political events. The unpredictable nature of these events makes it difficult to predict their frequency, timing, and severity. Any of these occurrences could have a material and adverse impact on our business operations and financial performance.

Public health emergencies, such as avian flu, SARS, Ebola, or the more recent COVID-19 pandemic, could decrease demand for our products, thus adversely affecting our results of operations. The global economic repercussions of the COVID-19 pandemic have resulted in reduced business activities worldwide. During the first half of 2020, we temporarily experienced delays in product deliveries, disruptions to our supplier chain and staff arrangements due to restrictive measures like quarantine and lockdowns aimed at containing the spread of COVID-19. While we have resumed our normal business operations and remained unaffected during the Track Record Period, the continued impact of COVID-19 on the global economy and financial markets remains uncertain and could still affect our business, results of operations, and financial condition.

Furthermore, unforeseen events similar to catastrophes could increase the costs associated with our operations and reduce our ability to operate our businesses efficiently, leading to reduced operating income and profits. In addition, our contracts with customers and other counterparties may contain force majeure provisions that allow parties to suspend, terminate, or otherwise not perform their obligations under specific circumstances such as strikes, labor disturbances, government restraints, or civil disturbances. If one or more of our suppliers or other counterparties do not fulfil their contractual obligations for an extended period due to a force majeure event, our results of operations and financial condition could be materially and adversely affected.

Failure to make adequate contributions for employee benefit plans may subject us to penalties.

Companies operating in China are required to participate in certain statutory employee benefit plans, including social insurance and housing provident funds, alongside with others. Contributions to these plans are calculated as certain percentages of the employee salaries up to a maximum amount which varies as specified by local governments.

During the Track Record Period, certain of our PRC subsidiaries did not make social insurance and housing provident fund contributions in full amount in accordance with the relevant PRC laws and regulations. See "Business — Legal Proceedings and Compliance." In the event that local authorities determine our contributions to any employee benefit plan to be inadequate as required by PRC laws and regulations, we could face overdue charges or fines for these underpayments. As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, if our social insurance contributions are insufficient, administrative authorities may require us to pay an overdue charge calculated as 0.05% of the shortfall amount for each day of delay. Should we fail to clear these dues within the prescribed deadline, we may be liable for a fine, which could range from one to three times the unpaid amount. For inadequate housing provident fund contributions, the Housing Provident Fund Administration Center may issue a demand for payment of the shortfall amount within a stipulated deadline. Failure to comply with this deadline could result in compulsory enforcement by a PRC court.

As of the Latest Practicable Date, no demands for payment of shortfall amounts have been received from competent authorities. However, there is no guarantee that such demands or employee complaints regarding outstanding social insurance and housing provident fund contributions will not arise in the future. Non-compliance with these regulations could lead to rectification orders, fines, overdue charges, and other regulatory actions. Such outcomes could adversely affect our business, results of operations, and financial condition.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders, and have a material adverse effect on results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules, an enterprise established outside of the China with "*de facto* management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "*de facto* management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts, and properties of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organizational Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, which was last amended in December 2017. Circular 82 provides certain specific criteria for determining whether the "*de facto* management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "*de facto* management body" in

China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "*de facto* management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income. In addition, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. However, it is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we will be dependent on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds until the aggregate amount of such funds reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. In addition, the PRC tax authorities may require our PRC subsidiaries to adjust their taxable income, in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us.

RISKS RELATING TO OUR SHARES AND THE [REDACTED]

There has been no prior public market for our Shares, and the liquidity, [REDACTED], and [REDACTED] of our Shares may be volatile.

Prior to the completion of the **[REDACTED]**, there has been no public stock market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations among our Company, the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our Shares will be traded following the completion of the **[REDACTED]**. The **[REDACTED]** of our Shares may drop below the **[REDACTED]** at any time after the completion of the **[REDACTED]**.

The price and **[REDACTED]** of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our kitchenware products or fluctuations in market prices for comparable companies could cause the **[REDACTED]** of our Shares to change substantially. Any such developments may result in large and sudden changes in the **[REDACTED]** and **[REDACTED]** at which our Shares will trade. In addition, stock markets and the shares of companies listed on the Stock Exchange have experienced substantial price and **[REDACTED]** fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the **[REDACTED]** of our Shares.

[REDACTED] for our Shares will experience immediate dilution if we issue additional Shares in the future.

As the **[REDACTED]** of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the **[REDACTED]**, **[REDACTED]** of our Shares in the **[REDACTED]** will experience an immediate dilution.

Moreover, we may exercise the **[REDACTED]** to issue additional Shares. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance business expansion or new development plans and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders in our Company may be reduced, and they may experience subsequent dilution in the percentage ownership, and/or (ii) such newly issued securities may have preferred rights, options or privileges superior to those of the Shares of the existing Shareholders.

We may not pay any dividends in the future.

As a general matter, we cannot guarantee future dividend payments. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income. Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Additionally, past dividends declared should not be used as an indicator for future dividends.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from those in Hong Kong and other jurisdictions.

Since our Company is incorporated under Cayman Islands law, its corporate affairs are governed by its Memorandum of Association and Articles of Association, and by the Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain aspects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. These differences may mean that our Company's minority Shareholders may have different remedies than they would have under the laws of Hong Kong or other jurisdictions.

Potential investors should be aware that there is a risk that the provisions of the Companies Act may not offer the same protection as the laws in Hong Kong or other jurisdictions and should consider obtaining independent legal advice on the implications of investing in foreign-incorporated companies.

[REDACTED] should read the entire document and should not rely on any information contained in press articles or other media coverage regarding us and the [REDACTED].

We strongly caution our **[REDACTED]** not to rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of this document, there may be press and media coverage regarding the **[REDACTED]** and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, the information derived from official government publications has not been independently verified by us, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure **[REDACTED]** that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, **[REDACTED]** should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would," and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity, and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties, and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Since most of our Company's core business operations are based, managed and conducted outside of Hong Kong, our Company does not have, and in the foreseeable future will not have, a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Mr. Zhang, our executive Director and Ms. Chan Yuen Mui ("**Ms. Chan**"), our company secretary, as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Ms. Chan ordinarily resides in Hong Kong whereas Mr. Zhang ordinarily resides in China, and Mr. Zhang possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. See "Directors and Senior Management" for more information about our Authorized Representatives.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (mobile phone numbers, office phone numbers and e-mail addresses) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

3. **Compliance advisor**: we have appointed Caitong International Capital Co., Limited as our compliance advisor (the "**Compliance Advisor**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things, provide us with professional advice on continuing obligations under the Listing Rules and, in addition to the Authorized Representatives, act as additional channel of communication of the Company with the Stock Exchange. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

4. **Hong Kong legal advisor**: we will retain a Hong Kong legal advisor to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
ZHANG Guodong (章國棟)	Chengnan Road Villa No. 26 Jiangnan Street Yongkang City Zhejiang Province China	Chinese
LYU Yili (呂伊俐)	Chengnan Road Villa No. 26 Jiangnan Street Yongkang City Zhejiang Province China	Chinese
XIA Chenhao (夏宸顥)	Room 1201, Unit 2 Block 3, Shunfa Meizaimeicheng Xiaoshan District Hangzhou City Zhejiang Province China	Chinese
Independent non-executive Directors		
YEUNG Shuet Fan Pamela (楊雪芬)	Flat A, 1st Floor 22 A&B Mount Austin Road The Peak Hong Kong	Chinese
CHAN Tin Wai David (陳天衛)	K2, 4th Floor Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	Chinese

Name	Address	Nationality
FAN Kaizhao (樊開召)	No. 28, Lane 899 North Zhongshan Road Jing'an District Shanghai China	Chinese

For the biographies and other relevant information of the Directors, see "Directors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED] (in alphabetical order)

BNP Paribas Securities (Asia) Limited
60th Floor and 63rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to the Company	*As to Hong Kong laws:* **King & Wood Mallesons** 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **King & Wood Mallesons (Beijing)** 18th Floor, East Tower, World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 China *As to Cayman Islands laws:* **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Hong Kong *As to PRC laws:* **Jingtian & Gongcheng Attorneys at Law** Unit 5, 16th Floor, China Resources Tower 2666 Keyuan South Road Nanshan District Shenzhen, Guangdong 518064 China

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting Accountant and Auditor	**PricewaterhouseCoopers** *Certified Public Accountant and* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10th Floor, Block B, Jingan International Center 88 Puji Road Jing'an District Shanghai 200071 China
[REDACTED]	**[•]**
Transfer Pricing Consultant	**Acclime Tax Advisory (Hong Kong) Limited** 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

CORPORATE INFORMATION

Registered Office	**Harneys Fiduciary (Cayman) Limited** 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters	21/F, Tower 2, Shanshui Shidai Building Xiaoshan District Hangzhou City Zhejiang Province China
Principal Place of Business in Hong Kong	46th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.mycarote.com** *(The contents of this website do not form part of this document)*
Company Secretary	**Ms. Chan Yuen Mui** *(ACG HKACG)* 46th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Mr. Zhang Guodong** 21th Floor, Tower 2, Shanshui Shidai Building Xiaoshan District Hangzhou City Zhejiang Province China **Ms. Chan Yuen Mui** *(ACG HKACG)* 46th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Audit Committee	Mr. Fan Kaizhao *(Chairman)* Ms. Yeung Shuet Fan Pamela Dr. Chan Tin Wai David
Nomination Committee	Ms. Yeung Shuet Fan Pamela *(Chairman)* Mr. Fan Kaizhao Ms. Lyu Yili
Remuneration Committee	Dr. Chan Tin Wai David *(Chairman)* Ms. Yeung Shuet Fan Pamela Mr. Zhang Guodong

[REDACTED]

Compliance Advisor	**Caitong International Capital Co., Limited** Unit 2401-05, 24/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	[•]

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the **[REDACTED]**. *We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors,* **[REDACTED]**, **[REDACTED]**, **[REDACTED]** *and* **[REDACTED]** *or any other party involved in the* **[REDACTED]** *and no representation is given as to its accuracy.*

Global Kitchenware Industry

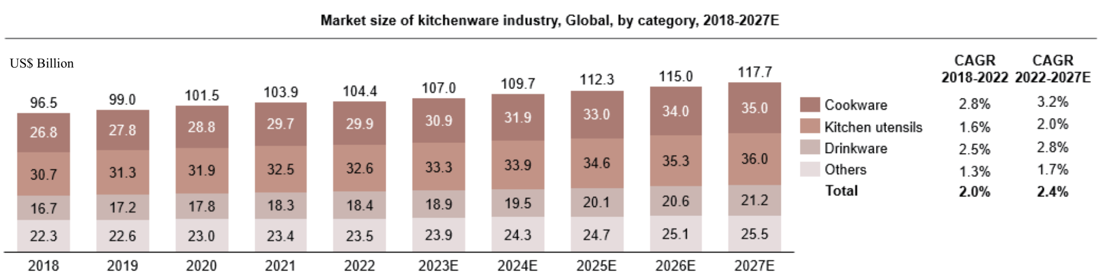
The global kitchenware industry had a market value of US$104.4 billion in 2022 and is one of the largest consumer segments. The industry continues to grow steadily amid the evolution of cooking preferences influenced by increasingly hectic urban schedules, heightened dietary consciousness, and the perception of kitchenware as lifestyle consumer products. Such trends are particularly noticeable among the middle-class population with rising disposable income.

As the industry continues to grow, there is also a gradual shift in distribution channels from traditional offline sales to online sales. The shift is mainly attributed to the increased efficiency of online sales, thanks to the popularity of the online marketplace that promotes higher efficiency in logistics and delivery. While traditional offline sales continue to account for most of the kitchenware sales, there has been a noticeable shift towards online purchasing, especially in countries such as China and the United States.

The increase in online sales has also led to the growing popularity of the DTC model, which helps kitchenware brands to establish direct connections with consumers, and thus gain greater control over sales channels and reduces reliance on distributors compared to traditional brands. With direct access to more sales data, brands utilizing the DTC model can leverage CRM systems to manage their customers more efficiently, enhance user experiences, and more effectively to convert user needs into sales. In terms of product R&D, brands adopting the DTC model can also design more relevant products through responding to direct customer feedback at a much faster speed, allowing them to strategically time the launch of new products.

In terms of product categories, the cookware segment, which consists of essential vessels utilized in the culinary process, plays an irreplaceable role in the cooking process and stands out within the kitchenware industry. This presents an opportunity for kitchenware brands to leverage cross-selling strategies and offer complementary products together with cookware, thereby strengthening their market presence. In 2022, the global cookware market reached US$29.9 billion, accounting for 28.7% of the overall global kitchenware market.

Kitchen utensils encompass a wide range of tools used alongside cookware for food preparation, including food storage containers and kitchen tools such as knives, spatulas, and graters, accounting for 31.2% of the overall global kitchenware market in 2022. Drinkware comprises receptacles for various beverages, such as thermal flasks, glassware, and sports bottles. Furthermore, kitchenware also comprises implements such as spoons, forks, bowls, and plates, which are indispensable throughout the culinary process. The chart below illustrates the actual and forecast market size of global kitchenware industry by category for the periods indicated.



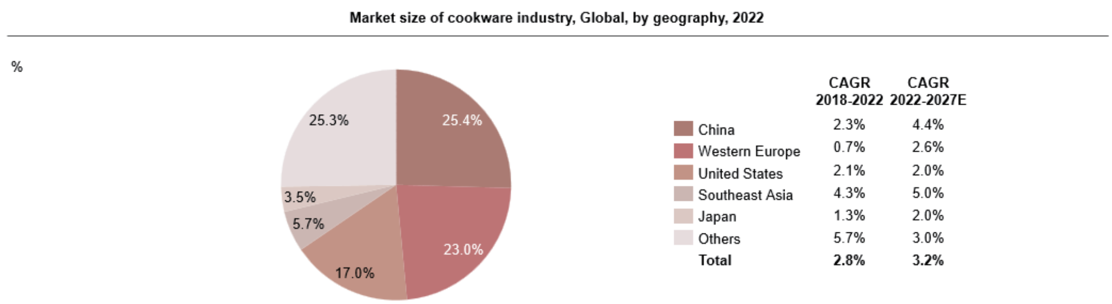
Source: CIC Report

GLOBAL COOKWARE INDUSTRY

Being a major component of the kitchenware industry, the global cookware industry has witnessed a substantial increase in market size, reaching US$29.9 billion in 2022. With rising disposable income and growing demand for diverse and sophisticated cookware, the market size of the global cookware industry is projected to reach US$35.0 billion in 2027. Notably, prominent enterprises in the cookware industry have embraced flexible supply chains, enabling shortened production cycles to swiftly adapt new products to evolving consumer preferences. This fosters a broader range of cookware categories and accelerated product iteration.

In terms of cookware categories, as the younger generation of consumers are more likely to prioritize high-quality lifestyles and value relaxed cooking experiences, consumers now seek high-quality, trendy cookware, spurring product innovation such as baby food pots and breakfast pans. In addition to these advancements, challenges in traditional cookware have also been addressed. For instance, the introduction of non-stick technology revolutionized cooking by providing a surface that prevents food from sticking and reducing the need for excessive oil. Consequently, non-stick cookware quickly gained popularity due to its convenience and even heat distribution, making it a popular choice for both home cooks and professionals. The global market size of non-stick cookware reached US$11.9 billion in 2022, accounting for 39.9% of the overall cookware market.

From a global standpoint by geographic mix, China, Western Europe, and the United States enjoy substantial global strategic significance, representing a market share of 25.4%, 23.0%, and 17.0% respectively, in the global cookware market in terms of retail sales value in 2022. The chart below illustrates the market size of global kitchenware industry by geographic market in 2022.



Source: CIC Report

Market Drivers of the Global Cookware Industry

Changing home cooking requirements and lifestyles: The ever-increasing demand for better features or functions of products amid rising living standards such as easy cleaning and higher performance products, will lead to an increase in cookware sales. Furthermore, home cooking is no longer just about food preparation but also viewed as a lifestyle choice, particularly among the rising middle class, who are trending toward the usage of more stylish cookware. These increasing demands propel the industry to launch more innovative and practical cookware.

Diversification of consumer dietary habits: The increased use of social media has promoted greater global diversification of cooking habits and cooking methods, with consumers are trying a greater variety of cuisines that require different types of cookware. For instance, consumers may use different tools to cook Chinese dishes and American cuisine. As a result, consumers are more likely to purchase a broader variety of cookware to cater to their diverse cooking needs.

More selections available for customers at online marketplace: The emergence of social media such as Facebook, Instagram, TikTok, and major e-commerce marketplaces such as Tmall and Amazon, have further promoted the growth of cookware sector. Nowadays customers can have much easier access to cookware products, and experience new product features more easily via videos shown on the platform. The improved logistics has also made it much more accessible to customers.

Entry Barriers to the Global Cookware Market

Global reach and sales channels: With the rapid expansion of cross-border logistics services and the global e-commerce industry, global B2C cross-border e-commerce revenue has achieved a CAGR of 24.2% between 2018 and 2022. Well-established sales channels are key for leading cookware brands to scale up business, especially for online retail players to expand into international markets. To meet the diverse cookware demands of consumers worldwide, these internationalized cookware brands must possess strong global operational capabilities, efficient product delivery systems and close collaboration with leading e-commerce marketplaces. New entrants can hardly expand into international markets due to their limited industry experiences.

Brand awareness: Consumer awareness and brand loyalty is highly important for cookware as it relates to food, health and everyday use. Successful cookware brands typically employ distinctive product design, engage in proactive brand promotion, and prioritize enhancing product quality to bolster brand awareness. While they prioritize product quality, price competitiveness is also highly important. To achieve this goal, they usually enhance manufacturing techniques, like utilizing advanced die-casting processes to improve thermal conductivity, heat retention, and durability. Their commitment to delivering high-quality products at competitive prices through the adoption of advanced production techniques not only ensures customer satisfaction but also bolsters their brand recognition and market position. New entrants will face a challenge to convince customers of their product's quality compared to well-known brands and may not be competitively positioned in terms of pricing.

Product development and innovation: Consumer preferences in the global cookware industry are constantly evolving, underscoring the importance for cookware companies to respond to market demand quickly by introducing new products that can attract the modern consumer. The ability to shorten the time frame will test the capabilities of companies, where those that can address market demand more quickly stand to benefit. Hence it is also important for cookware brands to complete on the basis of their ability to come up with new innovative products quickly and their capability to efficiently manufacture the product. This is typically a very high entry barrier for newcomers.

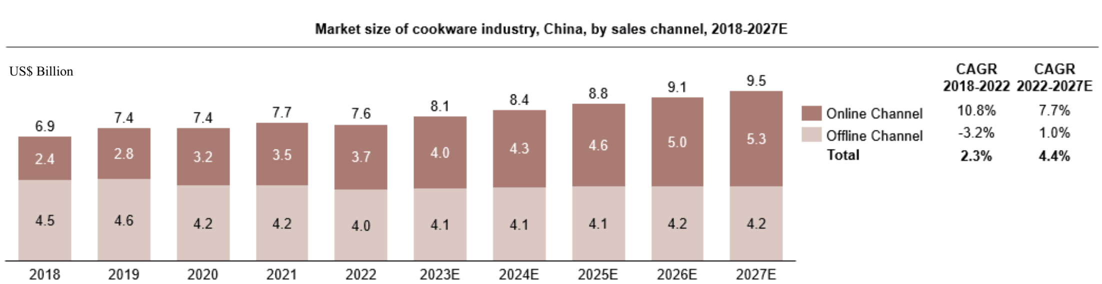
Supply chain management: The ability to manage supply chain and to ensure a sustainable profit market is a key entry barrier. Brands with their own manufacturing capabilities typically can manufacture products at lower cost but have high capital expenditure requirements which may face pressures to maintain their production utilization rate. Brands with an asset-light model will have higher flexibility but their ability to lower their costs will depend on their capability to source from cost-competitive manufacturers. Lower Minimum Order Quantities allows them to test market waters before placing large orders. Moreover, compared to other consumer products, cookware items are typically heavier and larger in size, which can lead to higher logistics and inventory costs. Therefore, it is crucial to possess the ability to effectively manage these costs.

Consumer communication: The emergence of online sales has revolutionized consumer communications. Effective communication with consumers helps cookware brands better understand consumer needs, foster brand loyalty, enhance customer satisfaction, and promote their products. Traditional companies relying on distributors generally lack the ability for direct consumer communication, resulting in slower response to market demand. In contrast, companies embracing the DTC model can interact with consumers more effectively. New entrants may encounter challenges in promptly comprehending insights from customers and adeptly customizing their communication strategies.

China's Cookware Industry

China's rich culinary culture has contributed to the emergence of diverse cookware with distinct Chinese dining culture characteristics. With the rising economy driven by the growing urbanization rate from 59.6% in 2018 to 65.2% in 2022, coupled with the growth in the per capita disposable income of urban residents from RMB39,251 in 2018 to RMB49,283 in 2022, China's cookware market expanded from US$6.9 billion in 2018 to US$7.6 billion in 2022.

The development of e-commerce platforms and advanced online payment systems have also further accelerated the development of online sales channels in China. The online penetration rate of the cookware market grew from 35.0% in 2018 to 48.0% in 2022. China has become the largest online cookware market globally amid its massive online user base. The market size of online sales channels for cookware in China reached US$3.7 billion in 2022 and is expected to further increase to US$5.3 billion by 2027. The chart below illustrates the the actual and forecast market size of China's cookware industry by sales channel for the period indicated.



Source: CIC Report

In terms of market share, the online cookware market in which the Group is engaged is highly fragmented and no player has a dominant market share. According to CIC, the top five cookware brands in China accounted for less than 15.8% market share in 2022 in terms of online retail sales value and the Group is one of the top five brands with a market share of approximately 1.1%. The Group is also one of the top five players in China's largest e-commerce marketplace and has one of the fastest growth pace.

Ranking of China's online cookware industry, by retail sales value, 2022

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2022, %
1	Company A	~8.1%
2	Company B	~2.8%
3	Company C	~2.0%
4	Company D	~1.6%
5	The Group	1.1%

Source: *CIC Report*

Notes:

(1) Company A was established in 1994 and headquartered in China. It specializes in kitchenware and kitchen appliances. It is a listed company on the SZSE.

(2) Company B was established in 2012 and headquartered in China. It specializes in kitchenware and kitchen appliances.

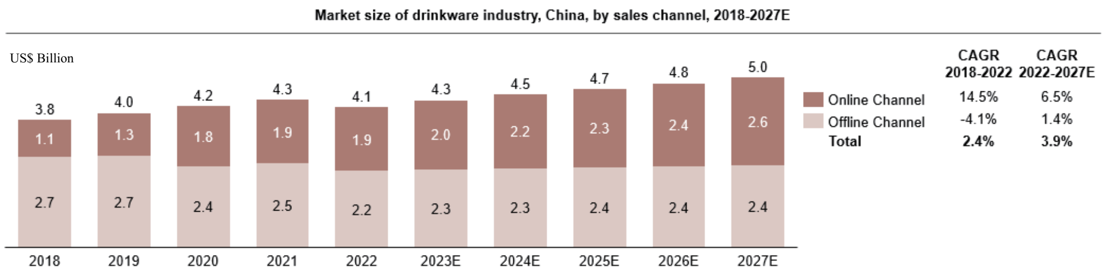
(3) Company C was established in 1983 and headquartered in China. It specializes in kitchenware and kitchen appliances.

(4) Company D was established in 1994 and headquartered in China. It specializes in kitchenware and kitchen appliances. It is a listed company on the SZSE.

China's Drinkware Industry

Drinkware constitutes one of the most indispensable categories of kitchenware in everyday life. As consumers upgrade their lifestyle, they increasingly gravitate towards the refined aesthetics and distinctive designs of drinkware items. Manufacturers endowed with the agility to innovate swiftly and align with market dynamics enjoy a discernible advantage. Moreover, the burgeoning demand for specialized drinkware across varied contexts has propelled the exponential growth of the drinkware market. Consequently, China's drinkware market is expected to grow from US$4.1 billion in 2022 to US$5.0 billion in 2027.

The distinctive attributes of drinkware, characterized by its inherent lightweight design and reduced reliance on offline experiential shopping, render it well-suited for online retail channels. These qualities translate into lower delivery costs, particularly evident in non-glass drinkware, and facilitate seamless online purchases without the necessity for physical tryouts at brick-and-mortar establishments. Leveraging these advantages, China's online drinkware market is projected to rise from US$1.9 billion in 2022 to US$2.6 billion by 2027. The chart below illustrates the the actual and forecast market size of China's drinkware industry by sales channel for the period indicated.

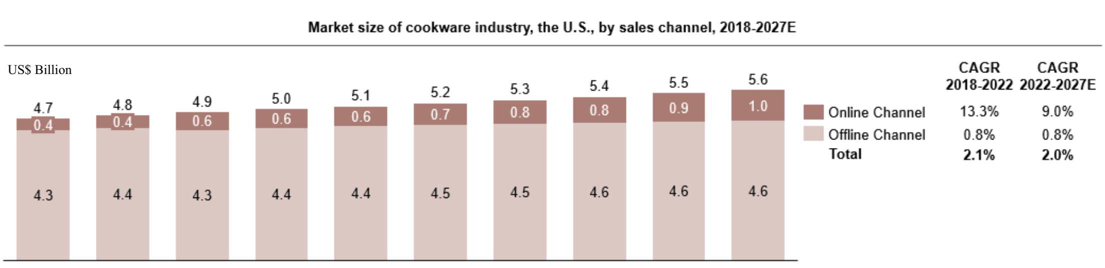


Source: CIC Report

U.S. Cookware Industry

Open kitchen designs are prevalent in the U.S., with a strong preference for induction cooktops, leading to a higher demand for cookware suitable for induction stoves. Additionally, the growing prevalence of remote working has reshaped the work and lifestyle habits of white-collar workers in the United States. According to CIC Report, 58% of respondents in the U.S. reported having access to remote work opportunities. This trend has consequently led to a rise in home cooking, fueling the expansion of the cookware market. The market size of the cookware industry in the U.S. reached US$5.1 billion in 2022 and is expected to increase to US$5.6 billion by 2027.

The development of e-commerce platform technologies has driven the increase in online sales as a proportion of the U.S. cookware market. In 2022, the market size of online sales in the United States accounted for 12.7% of the total market size, demonstrating significant growth potential with a projected online cookware market size of US$1.0 billion by 2027. The chart below illustrates the the actual and forecast market size of US's cookware industry by sales channel for the period indicated.



Source: CIC Report

The online cookware market in which the Group is engaged is highly fragmented and no player has a dominant market share. According to CIC, the top five cookware brands in the U.S. only accounted for less than 28.8% market share in 2022 in terms of online retail sales value and the Group is one of the top four brands with a market share of approximately 2.8%. The Group is also one of the top four players in the U.S.'s largest e-commerce marketplace with one of the fastest growth rates.

Ranking of the online cookware industry in the US, by retail sales value, 2022

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2022, %
1	Company E	~11.2%
2	Company F	~6.2%
3	Company G	~5.9%
4	The Group	2.8%
5	Company H	~2.6%

Source: *CIC Report*

Notes:

(1) Company E was established in 1896 and headquartered in the United States. It specializes in kitchenware and kitchen appliances.

(2) Company F was established in 1956 and headquartered in France. It specializes in kitchenware and kitchen appliances.

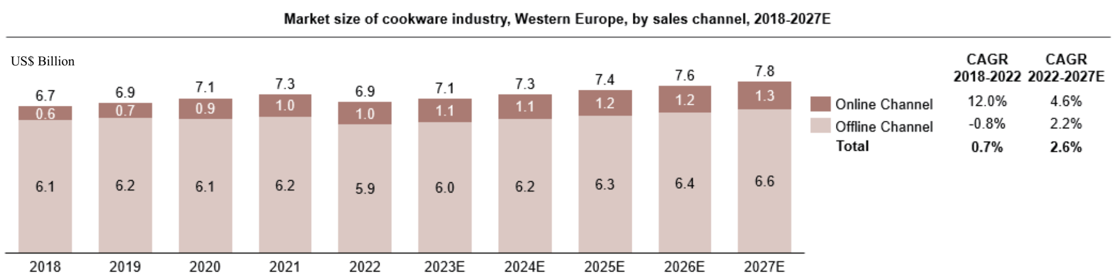
(3) Company G was established in 1911 and headquartered in Brazil. It specializes in homeware.

(4) Company H was established in 1971 and headquartered in the United States. It specializes in kitchenware and kitchen appliances.

Western Europe Cookware Industry

In recent years, the introduction of products from other regions has compelled Western European branders to implement price reductions to maintain competitiveness, inevitably impacting their mid-range offerings. Conversely, consumers who value enduring quality, meticulous craftsmanship, distinctive classic designs, and longevity continue to seek high-quality options for their homes. Consequently, the market reflects an increasing preference for cost-effective products. In 2022, due to the impact of the Russia-Ukraine war on the Western European economy, the cookware market in Western Europe has experienced a moderate decline, reaching a size of US$6.9 billion. The market is expected to reach US$7.8 billion by 2027.

In Western Europe, consumers prefer cookware products that embody innovation and distinctiveness with more color choices and customized designs. The development of online channels in this region caters to these preferences and provides local consumers with the opportunity to select the most cutting-edge and exquisite cookware products. As a result, the market size of the online cookware industry in Western Europe is expected to grow from US$1.0 billion in 2022 to US$1.3 billion in 2027. The chart below illustrates the the actual and forecast market size of Western Europe's cookware industry by sales channel for the period indicated.



Source: CIC Report

The online cookware market in which the Group is engaged is highly fragmented and no player has a dominant market share. According to CIC, the top five cookware brands in Western Europe only accounted for less than 14.3% market share in the nine months ended September 30, 2023 in terms of online retail sales value and the Group is one of the top three brands with market share of approximately 1.4%. The Group is also one of the top three players in Western Europe's largest e-commerce marketplace with one of the fastest growth rates.

Ranking of Western Europe's online cookware industry, by retail sales value, the nine months ended September 30, 2023

Rank	Company	Market share in terms of retail sales value generated from the cookware business in the nine months ended September 30, 2023, %
1	Company F	~8.1%
2	Company I	~3.4%
3	The Group	1.4%
4	Company J	~0.9%
5	Company K	~0.5%

Source: CIC Report

Notes:

(1) Company F was established in 1956 and headquartered in France. It specializes in kitchenware and kitchen appliances.

(2) Company I was established in 1853 and headquartered in Germany. It specializes in kitchenware and small household appliances.

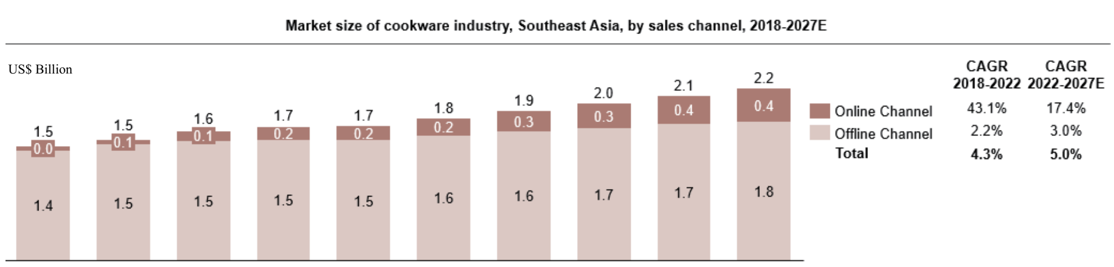
(3) Company J was established in 1901 and headquartered in Italy. It specializes in kitchenware and kitchen appliances.

(4) Company K was established in 1731 and headquartered in Germany. It specializes in kitchenware and kitchen appliances.

Southeast Asia Cookware Industry

Southeast Asia, with a projected population of 701.7 million by 2027, presents a significant consumer base for the cookware industry. The market size of the cookware industry in Southeast Asia has experienced growth due to several factors, including the continuous increase in consumer purchasing power, variations in culinary preferences across different countries, the gradual influence of Western dietary habits, and significant improvements in the regional supply chain. The market size of the cookware industry in Southeast Asia is expected to increase from US$1.7 billion in 2022 to US$2.2 billion by 2027.

The increasing adoption of smartphones and internet connectivity in Southeast Asia has spurred a surge in consumers turning to online platforms for their cookware purchases. In terms of retail sales value, the e-commerce penetration rate in Southeast Asia has escalated from 3.0% in 2018 to 10.3% in 2022. The COVID-19 pandemic further accelerated this shift towards online shopping, as consumers prioritized safety and convenience when buying cookware from the comfort of their homes. In response to this rising demand, e-commerce platforms actively collaborated with cookware brands, expanding their product offerings, enhancing logistics and delivery services. As a result, the market size of the online cookware industry in Southeast Asia is projected to reach US$0.4 billion in 2027 from US$0.2 billion in 2022. The chart below illustrates the actual and forecast market size of Southeast Asia's cookware industry by sales channel for the period indicated.



Source: CIC Report

The online cookware market in which the Group is engaged is highly fragmented and no player has a dominant market share. According to CIC, the top five cookware brands in Southeast Asia accounted for less than 32.1% market share in 2022 in terms of online retail sales value and the Group is one of the top two brands with a market share of approximately 6.6%.

Ranking of Southeast Asia's online cookware industry, by retail sales value, 2022

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2022, %
1	Company F	~7.8%
2	The Group	6.6%
3	Company I	~6.3%
4	Company L	~5.8%
5	Company M	~5.5%

Source: CIC Report

Notes:

(1) Company F was established in 1956 and headquartered in France. It specializes in kitchenware and kitchen appliances.

(2) Company I was established in 1853 and headquartered in Germany. It specializes in kitchenware and small household appliances.

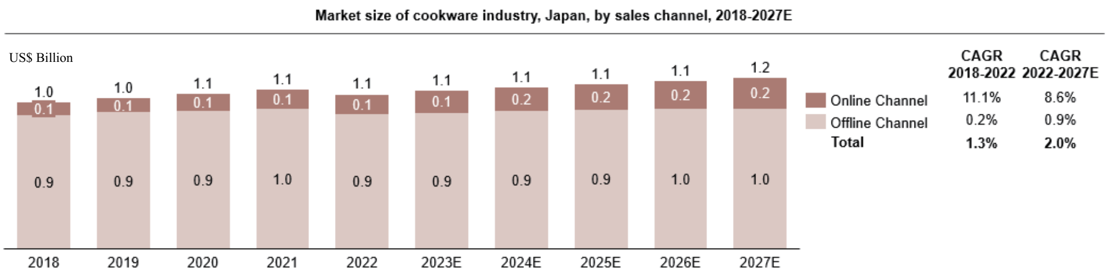
(3) Company L was established in 2018 and headquartered in China. It specializes in kitchenware and kitchen appliances.

(4) Company M was established in 1962 and headquartered in Korea. It specializes in kitchenware and kitchen appliances.

Japan Cookware Industry

Japan's culinary culture is renowned for its diverse range of unique dishes, which has created a demand for specialized cookware in specific categories. Notable examples include the Donabe pot, Sukiyaki, and Tamagoyaki pans. In 2022, the market size of the cookware market in Japan was US$1.1 billion and is projected to reach US$1.2 billion by 2027.

Driven by the wide product selection, competitive pricing, and convenience of doorstep delivery provided by online retailers, the online cookware market in Japan has experienced significant growth. With the increasing popularity and convenience of online shopping, more consumers are turning to online platforms for their cookware needs. The COVID-19 pandemic further accelerated the shift towards online shopping, as consumers prioritized safety and convenience. As a result, the market size of the online cookware industry in Japan is expected to witness rapid growth, and it is projected to grow from US$0.1 billion in 2022 to US$0.2 billion in 2027. The chart below illustrates the the actual and forecast market size of Japan's cookware industry by sales channel for the period indicated.



Source: CIC Report

The online cookware market in which the Group is engaged is fragmented but relatively more concentrated compared to other regions. According to CIC, the top five cookware brands in Japan accounted for approximately 39.6% and the largest player, which is an international brand headquartered in France, has a market share of approximately 18.4%, in terms of online retail sales value. The Group is one of the top five players with a market share of approximately 3.9%.

Ranking of Japan's online cookware industry, by retail sales value, 2022

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2022, %,
1	Company F	~18.4%
2	Company N	~7.4%
3	Company O	~5.2%
4	Company P	~4.8%
5	The Group	3.9%

Source: CIC Report

Notes:

(1) Company F was established in 1956 and headquartered in France. It specializes in kitchenware and kitchen appliances.

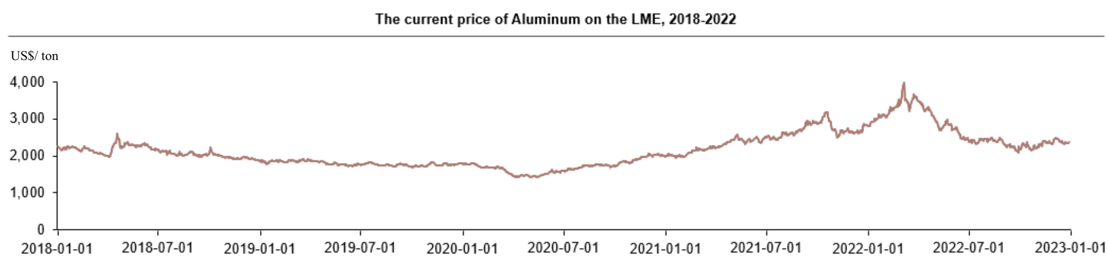
(2) Company N was established in 1904 and headquartered in Germany. It specializes in kitchenware and kitchen appliances.

(3) Company O was established in 1951 and headquartered in Japan. It specializes in kitchenware and kitchen appliances.

(4) Company P was established in 1974 and headquartered in Japan. It specializes in homeware.

Historical Trends of Prices on Major Raw Materials of the Global Cookware Industry

Aluminum is the core raw material used in cookware manufacturing. Over the period from 2018 to 2022, aluminum prices experienced fluctuations due to macroeconomic conditions and supply-demand dynamics. Since 2020, the global economic recovery and disruptions in the aluminum supply chain have intensified aluminum shortages in specific regions. China is a major supplier of aluminum globally and has been implementing carbon-neutral strategies and production regulations among aluminum manufacturers, intensifying the shortage. The price of aluminum peaked in the first quarter of 2022 and has declined since then, with signs of stabilizing in 2023.



Source: CIC Report

In the cost breakdown of cookware, primary raw materials typically represent approximately 40% of the cost breakdown of cookware. Minor fluctuations in raw material prices usually do not substantially affect the final selling price of finished products. However, significant fluctuations in raw material prices may lead to price adjustments, either upward or downward, for cookware.

Source of Information

CIC was commissioned to conduct research and analysis of, and produce a report on the global kitchenware industry. The commissioned report has been prepared by CIC independently without the influence from the Company or other interested parties. CIC offers industry consulting services, commercial due diligence, and strategic consulting. With a consultant team actively tracking the latest market trends in various industries such as consumer goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT, and transportation, CIC possesses the most relevant and insightful market intelligence in these sectors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

This section sets forth a summary of certain laws and regulations that are relevant to our business operations in different jurisdictions.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Regulations on Product Quality and Safety Production

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) released by the Standing Committee of the National People's Congress on February 22, 1993 with effect from September 1, 1993, which was amended and effective on August 27, 2009 and was newly amended on December 29, 2018, the law applies to all the production and sales activities of any product in the PRC. The producer and the seller shall bear the responsibilities for product quality in accordance with the provisions of this law. Victims who suffer personal injury or property losses due to product defects may claim for compensation either from the producer or the seller. Where the responsibility lies with the producer and the compensation is paid by the seller, the seller shall have the right to recover such compensation from the producer. Where the responsibility lies with the seller and the compensation is paid by the producer, the producer shall have the right to recover such compensation from the seller.

Safety Production Law of the PRC

Pursuant to the Safety Production Law of the PRC (《中華人民共和國安全生產法》) released by the Standing Committee of the National People's Congress on June 29, 2002 with effect from November 1, 2002, which was amended on August 31, 2014 and amended on June 10, 2021, and effective from September 1, 2021, the production and business operation entities shall be equipped with the conditions for safe production as provided in this law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the conditions for safe production may not engage in production and business operation activities. The principal supervisor of a production and business entity shall assume the responsibility for the production safety of the entity, including the establishment and perfection of its production safety accountability, and the formulation of rules, regulations and operation procedures on production safety. The production and business entity shall provide funds for labor protection articles and training on production safety.

Regulations on Import and Export Goods

Foreign Trade Law of the PRC and Measures for the Record and Registration of Foreign Trade Operators

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the NPC Standing Committee on May 12, 1994, implemented on July 1, 1994, and subsequently revised on April 6, 2004, November 7, 2016 and December 30, 2022, and the Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004, implemented on July 1, 2004, and subsequently revised on August 18, 2016 and May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

Custom Law of the PRC

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016 and November 4, 2017, April 29, 2021 and became effective on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities

Pursuant to Provisions on the Recordation of Customs Declaration Entities of the People's Republic of China (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 12,2021 and come into force on January 1, 2022, the recordation institution will be applied to both the consignees and consignors for import or export of goods and the customs brokers.

Regulations on Environmental Protection

Environmental protection Law of the PRC

Environmental protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated by the standing committee of the National People's Congress on December 26, 1989 and was revised on April 24, 2014. In case of preparing any development and utilization plan and constructing any project with impacts on the environment, the environmental impact assessment must be carried out in accordance with laws and regulations. Any development and utilization plans failing to carry out environmental impact assessment in accordance with laws and regulations must not be implemented; for any construction project failing to carry out environmental impact assessment in accordance with laws and regulations, the construction must not be commenced. Any facility for preventing and control of pollution in a construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled without permission or left idle. Production, storage, transport, selling, use and disposal of chemicals and articles containing radioactive substances must comply with relevant national regulations and prevent pollution of environment.

Environmental Impact Assessment Law of the PRC

Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) was promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and was revised on July 2, 2016 and December 29, 2018. China implements classified management on environmental impact assessment of construction projects in accordance with the impact degree on environment of the construction projects. The construction units must organize the preparation of environmental impact reports and environmental impact statements or fill in the environmental impact registration form (the "**environmental impact assessment files**") in accordance with the following regulations: (1) where it is possible to cause any major environmental impact, an environmental impact report must be prepared to assess comprehensively the generated environmental impact; (2) where it is possible to cause any minor environmental impact, an environmental impact statement must be prepared to carry out analysis or special assessment on the generated environmental impact; (3) Where the generated environmental impact is slight and environmental impact assessment is not required, the environmental impact registration form must be filled in.

Regulation on the Administration of Environmental Protection for Construction Project

According to the Regulation on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on November 29, 1998 and effective on November 29, 1998, and latest amended on July 16, 2017 by the State Council and took effect on October 1, 2017, construction units shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction units shall file an application with competent department of environmental protection administration for acceptance checks.

Classified Management Catalog for Environmental Impact Assessment of Construction Projects

Pursuant to the classified management catalog for environmental impact assessment of construction projects (《建設項目環境影響評價分類管理目錄》), which was stipulated and released by the environmental protection administration department of the State Council, which was last amended and effective on January 1, 2021, the environmental impact reports and statements of the construction projects shall be submitted by the construction unit to environmental protection departments with approval authority for approval.

Interim Method for Completion Acceptance of Environmental Protection for Construction Projects

The Interim Method for Completion Acceptance of Environmental Protection for Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) was promulgated and implemented by the former Ministry of Environmental Protection (current Ministry of Ecology and Environment) on November 20, 2017. This method specifies the procedures and standards for construction units to carry out environmental protection acceptance after the construction of such projects is completed.

Measures for the Administration of Pollution Discharge Permits (Trial) and Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources

According to the Measures for the Administration of Pollution Discharge Permits (For Trial) (《排污許可管理辦法(試行)》) which was promulgated by the Ministry of Environmental Protection ("**MEP**") and came into effect on January 10, 2018 and newly amended on August 22, 2019, the MEP shall lawfully formulate and issue the catalog of classified management of pollutant discharge licenses for stationary pollution sources, and define the scope of stationary pollution sources included in pollutant discharge licensing management and the time limit for the application for pollutant discharge licenses. Enterprises, public institutions and other production operators (the "**pollutant discharge entities**") included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit; and, it is temporarily unnecessary for pollutant discharge entities not included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources to apply for a pollutant discharge license. On December 20, 2019, the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (固定污染源排污許可分類管理名錄[2019版]) was promulgated by Ministry of Ecological Environment. The Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄[2017版]》) was repealed simultaneously.

Regulations Relating to Foreign-Invested Enterprises

Catalogue of Encouraged Industries for Foreign Investment (Encouraged Catalogue) and The Special Management Measures (Negative List) for the Access of Foreign Investment

Catalogue of Encouraged Industries for Foreign Investment (2022) (《鼓勵外商投資產業名錄(2022年版)》) (the "**Encouraged Catalogue**"), which was issued by NDRC and MOFCOM on October 26, 2022 and effective on January 1, 2023, stipulates that the manufacturing industry will continue to be a key direction to encourage foreign investment, in order to enhance the level of the industrial and supply chains. The Encouraged Catalogue also further promotes the integration and development of the service and manufacturing industries, adding or expanding items such as professional design, technical services, and development.

The Special Management Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021版)》) (the "**Negative List**"), which was issued by the NDRC and MOFCOM on December 27, 2021 and implemented on January 1, 2022. The Negative List has set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are restricted or prohibited for foreign investment. The Negative List covers 12 types of industries, and any industry not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Measures for the Reporting of Foreign Investment Information

On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on January 1, 2020 and replaced Interim Administrative

Measures. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Foreign Investment Law of the PRC

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

Regulations Relating to Foreign Exchange

Foreign Exchange Administration Regulations of the PRC

General Administration of Foreign Exchange Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), as amended on August 5, 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**SAFE Circular 19**"). The SAFE Circular 19 stipulates that (1) foreign-invested enterprises' foreign exchange capital fund shall be managed by their own willingness to carry out foreign exchange settlement, and enterprises may freely choose the timing of capital fund settlement; (2) the use of capital funds of foreign-invested enterprises and the funds from the settlement of foreign exchange shall be in line with the relevant provisions of foreign exchange management, and the use of capital funds shall be subject to the management of negative list; (3) foreign-invested enterprises are facilitated to carry out domestic equity investment with RMB funds derived from foreign exchange settlement; (4) the payment management of funds from foreign exchange settlement is further standardized, and the authenticity audit obligation of banks in accordance with the Three Principles of Business Development is clarified; (5) the management of fund settlement and utilization of foreign exchange accounts under other direct investments is clarified and simplified.

Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-border Trade and Investment

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) ("**SAFE Circular 28**") on December 4, 2023. The SAFE Circular 28 helps to further promote the reform of simplifying government, delegating authority, advocating innovation, strengthening regulatory functions and optimizing services, enhancing the capacity and level of foreign exchange management services for the real economy, and promoting the facilitation of cross-border trade and investment.

Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of RMB proceeds by foreign investors in the PRC and remittance of foreign exchange profit and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. The Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) which was promulgated by SAFE on May 2013, came into effect on the same day and was amended in October 2018, specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment

In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**SAFE Circular 13**"), which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control

On January 18, 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**SAFE Circular 3**"), which came into effect on the same day, provides that several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profit. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Resident's Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Resident's Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**") on July 4, 2014, which came into effect on the same day, requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

Regulations Relating to Tax

Enterprise Income Tax Law of the PRC

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition as a high-tech enterprise.

Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses

Pursuant to the Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》), which was promulgated by the Ministry of Finance of the PRC, the SAT and the Ministry of Science and Technology of the PRC on September 20, 2018 and became effective on the same day, with respect to the research and development expenses that are actually incurred in the research and development activities of the enterprise, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2020, provided that the said expenses are not converted into the intangible asset and balanced into the enterprise's current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset's costs before tax during the above-said period.

Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Main land and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Treaty**") entered into between Mainland China and Hong Kong on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interests in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Announcement on Issues Concerning Beneficial Owners in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which was issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, provides that "beneficial owner" shall mean a person who has the ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derives dividend income from the PRC, the individual may be determined as a "beneficial owner".

The Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on February 20, 2009, stipulates that the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Treaties (《非居民納稅人享受協定待遇管理辦法》) promulgated by the SAT on October 14, 2019 and came into effect on January 1, 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

Law of the People's Republic of China on the Administration of Tax Collection

Pursuant to the EIT Law and its implement rules and the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法), related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management

Based on the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on June 29, 2016, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company.

Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures and Implementation Regulations for Special Tax Adjustments (Trial)

According to the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發布特別納稅調查調整及相互協商程序管理辦法的公告》) which was partially repealed the Implementation Regulations for Special Tax Adjustments (Trial) (《特別

納稅調整實施辦法(試行)》), and was issued on March 17, 2017 and became effective on the same day and was amended on June 15, 2018, if an enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment procedures according to the relevant provisions.

Value-Added Tax in the PRC

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and came into effect on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

According to provisions in the Notice on Adjusting the Value added Tax Rates (Caishui [2018] No. 32) (《關於調整增值稅稅率的通知(財稅[2018]32號)》) issued by MOF and the SAT on April 4, 2018, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice takes effect on May 1, 2018, and the adjusted VAT rates take effect at the same time according to the Notice.

Pursuant to provisions in the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39) (《關於深化增值稅改革有關政策的公告》) (財政部、稅務總局、海關總署公告2019年第39號) issued by Ministry of Finance, State Taxation Administration and General Administration of Customs on March 20, 2019, with respect to VAT taxable sales or imported goods of VAT general taxpayers, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Announcement took effect on April 1, 2019, and the adjusted VAT rates has come into effect at the same time according to the Announcement.

Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services

According to The Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》), which was promulgated on May 25, 2012 by the Ministry of Finance of the PRC and the State Administration of Taxation, of which some terms became effective from January 1, 2011, and other terms became effective from July 1, 2012, exported goods and services of export enterprises are eligible for VAT exemption and refund policy. Except for the export VAT refund rate (hereafter referred to as the "**tax refund rate**") otherwise provided for by the Ministry of Finance and the State Administration of Taxation according to the decision of the State Council, the tax refund rate for exported goods shall be the applicable tax rate. The State Administration of Taxation shall promulgate the tax refund rate through the Tax Refund Rate Catalogue of Exported Goods and Services according to the aforesaid provisions for the implementation of the tax authorities and taxpayers. In the event of adjustment to the tax refund rate, the implementing date shall be subject to the export date as indicated in the Customs Declaration of Goods for Export (specifically for export tax refund) (including the goods under process, repair and fitting) except as otherwise provided.

Regulations on Labor, Social Insurance and Housing Accumulation Funds

Labor Contract Law of the PRC

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) released by the Standing Committee of the National People's Congress on June 29, 2007 with effect from January 1, 2008, which was then amended and released on December 28, 2012 and came into force on July 1, 2013, the principle of lawfulness, fairness, equality, free will, negotiation for agreement and good faith shall be observed in the formation of a labor contract. An employer shall establish a sound system of employment rules in accordance with the laws so as to ensure that its employees enjoy the labor rights and perform the employment obligations.

Relevant Regulations on Social Insurance

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) first implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) came into effect on January 1, 1995, the Decisions on the Establishment of a Unified Programme for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制

度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) implemented on January 22, 1999 and amended on March 24, 2019 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was released by the Standing Committee of the National People's Congress on October 28, 2010, came into force on July 1, 2011 and was then amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Regulation on the Administration of Housing Accumulation Funds

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) released by the State Council on April 3, 1999 and came into force on the same day, which was last amended on March 24, 2019 and came into force on the same day, an employer shall pay the housing accumulation funds for its employees in accordance with the relevant provisions of the state.

Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the State Administration of Taxation on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed.

Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy

On November 16, 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Regulations on Intellectual Property

Regulations for the Protection of Computer Software and Measures for Computer Software Copyright Registration

According to the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and implemented on October 1, 1991, and subsequently revised on December 20, 2001 and January 30, 2013, and the Measures for Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "**MIIT**")), on April 6, 1992 and subsequently revised by the National Copyright Administration on February 20, 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency identified by the State Copyright Administration.

Trademark Law of the PRC and Implementation Regulations on the Trademark Law of the PRC

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) released by the Standing Committee of the National People's Congress on August 23, 1982 with effect from March 1, 1983, which was newly amended and implemented on November 1, 2019, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which was amended by the State Council on April 29, 2014 and became effective from May 1, 2014, any enterprise which needs to acquire the right to exclusively use a trademark on the goods or services thereof in the course of its business operation shall apply to the Trademark Office for trademark registration. The period of validity of a registered trademark shall be ten years from the day the registration is approved. Without the authorization of the owner of the registered trademark, using a trademark that is identical with or similar to a registered trademark on the same goods or that is identical with or similar to a registered trademark on the similar goods which could possibly cause confusion, constitutes an infringement of the exclusive right of a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action and pay damages, etc.

Patent Law of the PRC

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) released by the Standing Committee of the National People's Congress on March 12, 1984 with effect from April 1, 1985, which was newly amended on October 17, 2020 and came into force on June 1, 2021, after granting the patent right for an invention or utility model, except otherwise provided in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, manufacture, offer to sell, sell, or import any product containing the patented design for production or business purposes. Once the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damage, etc.

Administrative Measures of Internet Domain Name

Pursuant to the Administrative Measures of Internet Domain Name (《互聯網域名管理辦法》) released by the Ministry of Industry and Information Technology on August 24, 2017 with effect from November 1, 2017, those who carry out such activities as service provision, operation and maintenance as well as supervision and administration of internet domains within the territory of the PRC shall be subject to the said measures. The registration of a domain name shall follow the principle of "registration being granted to the first applicant", and if it is otherwise provided for in relevant detailed rules for the implementation of domain name registration, such rules shall prevail.

Regulations on Personal Information and Data Protection

The Data Security Law of the PRC

The Data Security Law of the PRC (《中華人民共和國數據安全法》), promulgated by the SCNPC on June 10, 2021, which came into effective on September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and the theft or illegal collection of data is not permitted. Data controllers shall establish and improve whole-process data security management rules, organize and implement data security training and take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responsive measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

In addition, the Cybersecurity Law provides that: (1) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of collecting and using personal information, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (2) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (3) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cybersecurity Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

Personal Information Protection Law of the PRC

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**PIPL**"), which came into effect on November 1, 2021. The law aims to protect the rights and interests of personal information and regulate the processing of personal information. The PIPL stipulates certain important concepts with respect to personal information processing: (1) "personal information" refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding the information processed anonymously; (2) "processing of personal information" includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (3) "personal information processor" refers to an organization or individual that independently determines the purpose and method of the processing in the processing of personal information.

Except as otherwise provided in the PIPL, a personal information controller may only process personal information under the circumstances where the relevant individuals' consents have been obtained or where certain contractual arrangements, employment relationships, public emergencies, performance of statutory duties or obligations or publishing of press release for public interests require so.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, persons or organizations who sell or provide personal information of citizens to others or obtain personal information in violation of relevant national provisions and circumstances is serious, shall subject to criminal penalty. In addition, on May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which became effective on June 1, 2017 and defines the scope of personal under the Criminal Law of the PRC and clarifies other issues relevant to the criminal offense of infringement of personal information.

Civil Code of the PRC

The Civil Code of the PRC (《中華人民共和國民法典》) was issued on May 28, 2020 and took effect on January 1, 2021, which provides that personal information of natural persons is protected by law. Any organization or individual who needs to obtain the personal information of others, shall obtain and ensure information security in accordance with the law, shall not illegally collect, use, process, transfer personal information of others, shall not illegally trade, provide or disclose the personal information of others.

Security Assessment Measures for Outbound Data Transfer

On July 7, 2022, the CAC promulgated the Security Assessment Measures《數據出境安全評估辦法》, which became effective on September 1, 2022. According to the Security Assessment Measures, where a data controller outbound transfers data, the data controller shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level for a data outbound transfer security assessment when: (1) a data processor outbound transfers critical data; (2) a critical information infrastructure operator or a data controller processing the personal information of more than one million individuals transfers personal information abroad; (3) a data controller has outbound transferred a total of 100,000 persons' personal information or 10,000 individuals' sensitive personal information since January 1 of the previous year; and (4) other circumstances in which the data controller shall apply for a outbound data transfer security assessment as stipulated by the CAC.

Measures on the Standard Contract for Outbound Transfer of Personal Information

On February 22, 2023, the CAC promulgated the Standard Contract Measures《個人信息出境標準合同辦法》, which became effective on June 1, 2023. According to the Standard Contract Measures, where a personal information controller outbound transfer personal information, the personal information controller may choose to use the Standard Contract and file it through the local CAC at the provincial level to fulfill its obligations for outbound transfer personal information when (1) it is not a critical information infrastructure operator; (2) it processes the personal information of less than one million individuals; (3) it has outbound transferred less than 100,000 individuals' personal information since January 1 of the previous year; and (4) it has outbound transferred less than 10,000 individuals' sensitive personal information since January 1 of the previous year.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

Business Registration Ordinance

Every person (a company or individual) carrying on a business in Hong Kong is required by the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) to register with the Inland Revenue Department (the "**IRD**") and obtain a business registration certificate within one month of its commencement of the business. Business registration is a process based on application and does not involve government approval. Once the stated criteria are met, a business registration certificate will be granted. Business registration serves to notify the IRD of the establishment of a business in Hong Kong and therefore, designed to facilitate the IRD to collect tax from businesses in Hong Kong.

Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offense, and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Laws and Regulations Relating to Taxation

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings, and profit in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees, and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profit (excluding profit arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession, or business.

The Inland Revenue (Amendment) (No. 3) Ordinance 2018 was enacted on March 29, 2018 (the "**IRO Amendment Bill**"), which introduces the two-tiered profit tax rates regime. Under the two-tiered profit tax rates regime, the first HK$2 million of profit of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profit of group entity not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the year of assessment 2018/19, the Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK$2 million for the qualifying group entity.

In relation to (i) any tax computation containing incorrect information (the "**Incorrect Information**"); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to the prosecutions under section 80(2) or 82(1) of the IRO:

(a) Any person who without reasonable excuse files an incorrect return commits an offense under section 80(2) of the IRO and is liable on conviction to a fine at level 3 (i.e. HK$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct.

(b) Any person who wilfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offense under section 82(1) of the IRO is liable:

    (i) on summary conviction to a fine at level 3 (i.e. HK$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 6 months; and

    (ii) on indictment to a fine at level 5 (i.e. HK$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 3 years.

Laws and Regulations Relating to Transfer Pricing

The IRD may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions of the IRO if the IRD considers that the related party transactions are not conducted on an arm's length basis. In December 2009, the IRD released Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general, the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines.

In April 2009, the IRD released Departmental Interpretation and Practice Notes No. 45 ("**DIPN 45**"). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong include the PRC).

Furthermore, the Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") on July 13, 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the Organization for Economic Co-operation and Development, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profit to low or no-tax locations where there are little or no economic activity.

Section 50AAF of the IRO now codifies the arm's-length principle and allows for an adjustment of a taxpayer's profit upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s).

Laws and Regulations Relating to the Sale of Goods

In Hong Kong, laws and regulations on the sale of goods are provided in legislation as well as common law. Civil liability in relation to product liability claims under the sale of goods arises under the law of contract and the law of negligence.

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). In relation to consumer transactions, certain terms are implied into sale contracts to strengthen protection to consumers. These include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances. As the principal business of our Group mainly includes the sale and distribution of cookware, kitchen utensils and drinkware, we are subject to the Sale of Goods Ordinance.

Retailers in Hong Kong also owe a duty of care to consumers and may be liable for damage resulting from defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the sale of goods. Liability may arise if a retailer disregards the instructions of the manufacturers or suppliers in handling relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

The extent to which liability for breach of contract, or for negligence or other breach of duty, can be avoided through contractual terms is limited by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong). The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) further empowers the courts of Hong Kong to (i) refuse to enforce any consumer contracts; (ii) enforce the remainder of a contract without the unconscionable part; or (iii) limit the application of, revise or alter any part of a contract which is found to be unconscionable.

Our Group's products are regulated by the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) which imposes certain obligations on manufacturers, importers and suppliers of general consumer goods. Under the Consumer Goods Safety Ordinance, a person shall not supply, manufacture or import into Hong Kong consumer goods unless the consumer goods comply with general safety requirement and an applicable standard approved by the Secretary for Commerce and Economic Development (if any), for the particular consumer goods. The general safety requirement is an objective test which requires the consumer goods supplied to be reasonably safe having regard to all of the circumstances, including (i) the manner in which, and the purpose for which, the goods are presented, promoted or marketed; (ii) the use of marks, instructions or warnings on the goods in connection with its keeping, use or consumption; (iii) compliance with reasonable safety standards published by a standards institute; and (iv) the existence of any reasonable means to make the goods safer taking into account the cost, likelihood and extent of any improvement. Criminal sanctions are imposed for violations of such requirements unless a due diligence defence can be successfully established. The Commissioner of Customs and Excise has the power under the Consumer Goods Safety Ordinance to serve on a person a recall notice requiring the immediate withdrawal and retrieval of consumer goods which he reasonably believes to be unsafe or do not comply with approved safety standards, and that there is a significant risk that the consumer goods will cause a serious injury.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Businesses operating in the United States are subject to a variety of federal, state, and local laws and regulations (the "**U.S. Regulations**"). The U.S. Regulations expected to be material to our operations are those relating to, among others, product safety, product liability, data privacy and customs and imports procedures as described below.

Product Safety

The law of product safety is primarily under the jurisdiction of the U.S. Consumer Product Safety Commission (the "**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC was established pursuant to the 1972 Consumer Product Safety Act (as amended, the "**CPSA**"). The CPSA is the umbrella statute at the federal level with respect to product safety for consumer products.

The CPSA was amended by the U.S. Consumer Product Safety Improvement Act of 2008 (the "**CPSIA**") in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution.

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the United States that is subject to a consumer product safety rule, standard, regulation, or ban pursuant to the CPSA or issued by the CPSC. The requirement applies to all subcontractors and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and laws such as the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act. The CPSA specifies that certification must be based on a "test of each product or a reasonable testing program." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer and U.S. Customs and Border Protection (the "**CBP**"). The CPSC may also request a copy of the certification.

The CPSA also contains several reporting requirements for subcontractors and sellers of consumer products sold in the U.S. Section 15 of the CPSA requires a manufacturer or a seller to inform the CPSC immediately in the event it obtains information that any of its products: (1) creates a substantial risk of injury to consumers; (2) creates an unreasonable risk of serious injury or death; or (3) fails to comply with an applicable consumer product safety rule or with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC. The

CPSC may require the manufacturer or the seller to cease distribution of the product, and notify each person to whom the manufacturer or the seller knows such product was sold of such noncompliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer or the seller to bring the product into conformity with the applicable product safety rules, repair the defect in the product, replace the product with an equivalent product that complies with the applicable product safety rules, issue a product recall and/or refund the purchase price of the product.

Proposition 65

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986 (the "**Prop 65**"), is a California law that requires that California consumers receive warnings regarding the presence of more than 900 chemicals that the State of California has identified as known to cause cancer and/or reproductive harm. The law is highly technical, constantly evolving, and actively enforced by the government and private enforcement action. Under Prop 65, any person in the course of doing business must provide a "clear and reasonable warning" before exposing individuals to listed carcinogens and reproductive toxins in their products. Prop 65 provides detailed requirements for the form, content, and placement of the required warning.

The probability that a company will be subject to Prop 65 regulations is high because of the broad application of the statute. If a company manufactures, imports, distributes, or sells a product that will be sold in California either through brick-and-mortar stores, catalogs, or online e-commerce sites, or if a company has a physical presence of any kind in California (retail, office, warehouse, facility, factory, plant, etc.), then that company must abide by Prop 65 requirements. Prop 65 places the primary responsibility for providing any necessary warnings regarding the presence of one or more of these listed chemicals on the manufacturer of the product. The California Office of Environmental Health Hazard Assessment (OEHHA) has set out information and regulations regarding the content of such warnings and also requirements allowing companies to provide notice of the potentially toxic chemical content of the product and need for a Prop 65 warning either to the authorized agent for the business to whom they are selling or transferring the product, i.e., the next business in line, or to the authorized agent for the retail seller. Many retail sellers, however, require that the manufacturer of the product be responsible for providing any necessary Prop 65 warnings. Paying careful attention to Prop 65 requirements and the potential chemical content of the products is encouraged. Auditing Prop 65 compliance well in advance could mean avoiding costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls.

Product Liability Law

U.S. state law generally imposes liability on all subcontractors and retailers (and parties in the supply chain) for injuries that result from unsafe, defective, and dangerous products sold to consumers. Product liability claims in the United States are typically based on three theories of law: (1) strict liability, (2) negligence and (3) breach of warranty. In addition, as noted above, U.S. laws and regulations can also obligate subcontractors and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the defendant's level of care. Instead, a defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state may be subject to the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

Product liability legal actions and recall campaigns in the United States could involve personal injury and property damage and could involve claims for substantial monetary damages. The results of any future litigation and claims involving product liability in the United States are inherently unpredictable. Based on our past experience, we do not anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will have a material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

Data Privacy

We are subject to a variety of laws and regulations in the United States that involve privacy, data protection and personal information, data security, and data retention and deletion. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. U.S. federal and state laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate and may be interpreted and applied inconsistently from state to state and country to country and inconsistently with our current policies and practices.

Import Tariffs and Customs Regulations

United States customs regulations (the "**Customs Regulations**"), administered by CBP apply to any products entering the United States. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The United States imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedules of the United States (the "**HTSUS**"). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties. Section 201 of the Trade Act of 1974, 19 USC §2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization to take such enforcement actions.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported into the United States from China, and vice versa, under Sections 201 and 301 of the Trade Act. To date, four lists of products imported from China, identified by HTSUS codes, have been issued with various tariff impositions. Most recently, on September 1, 2019, the U.S. government imposed additional tariffs on specific products on List 4 (the "**Product List**") to be imported from China to the U.S. (the "**Additional Tariffs**"). Certain Additional Tariffs that were intended to go into effect in December 2019 were reduced in half.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

Taxation

Introduction

The United States taxation system encompasses a broad range of taxes at both the federal and state levels, including corporate income tax, sales and use taxes, employment taxes, and various other taxes. State taxes vary significantly from one jurisdiction to another. The U.S. tax system is continually evolving and is subject to the change of legislation.

Corporation Income Tax

A corporation organized under the laws of the United States or any state is subject to U.S. corporate tax on its worldwide income and gains. Corporate income tax is imposed at a flat rate of 21% (plus any applicable state or local corporate tax) by the end of 2020. Taxes are based on operating earnings after expenses have been deducted.

Sales and Use Taxes

Sales and use taxes, in particular, are a significant aspect of state taxation, with states employing various methods to assert jurisdiction over out-of-state retailers and require them to collect sales tax from in-state residents. The tax rates of the sales and use taxes vary from state to state.

The concept of "nexus" is central to state taxation, requiring a minimum connection between the business and the state for the latter to impose taxes. This nexus traditionally required some physical presence, but recent developments have seen states moving towards an economic nexus model, where having customers or economic activities within a state can establish sufficient nexus for taxation. The "nexus" requirements vary from state to state.

Transfer Pricing

The United States has an extensive system of laws and practices designed to preserve the U.S. tax base by preventing income from being shifted among related parties through the inappropriate pricing of related party transactions. The U.S. transfer pricing regime seeks to ensure that goods and services transferred between related companies are done so at an arm's length and are priced based on market conditions that permit profit to be reflected in the appropriate tax jurisdiction. Where the results of a transaction do not reflect an arm's length price, the U.S. tax authority can reallocate the income to reflect the appropriate price and in some cases, impose monetary penalties for substantial or deliberate inaccuracy.

The U.S. Congress has enacted legislation and the US Treasury Department has promulgated regulations to control transfer pricing, all of which are administered and enforced by the Internal Revenue Service. On December 22, 2017, the Tax Cuts and Jobs Act (Tax Act) became law. The Tax Act represents a comprehensive reform to the Internal Revenue Code ("**IRC**"). Among its many changes, the Tax Act lowered the federal corporate income tax rate to 21% and overhauled the international tax provisions of the IRC, which may cause many multi-national companies to reevaluate their transfer pricing arrangements. Additionally, the Tax Act amended the IRC's transfer pricing provisions, which will directly affect transfers of intangible property.

Federal tax legislation is contained in the IRC. Specifically, section 482 of the IRC governs transfer pricing and applies when two or more organizations, trades, or businesses (regardless of form and place of the organization) are owned or controlled, directly or indirectly, by the same interests. The general rule of section 482 authorizes the Internal Revenue Service ("**IRS**") to reallocate income, deductions, credits, or allowances among the members of a controlled group of entities to ensure clear reflection of income or to prevent tax avoidance.

Section 482 also provides an additional test for transfers of intangible property (IP). Income with respect to the transfer (or license) of IP must be "commensurate with the income" attributable to the IP. Under the commensurate-with-income standard, actual profit realized from the exploitation of an intangible must be considered in determining an arm's length price for the transfer of the intangible. The amount of the compensation should therefore reflect changes in the income attributable to that intangible over time.

In the United States, individual states enact their own corporate income tax rules, which include the power and authority to regulate transfer pricing. The state rules focus on the shifting of income and deductions from a high-tax state to lower-tax states. Each state is a sovereign taxing jurisdiction with the authority to disregard the conclusions reached by the IRS with respect to the appropriateness of a particular transfer pricing method.

Each of the 50 U.S. states has its own internal statutes, regulations, court cases, and other authority governing transfer pricing issues.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN JAPAN

Consumer Protection Regulations

The Company's sales operations in Japan are subject to various Japanese consumer protection regulations. This includes the Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962, as amended) and the Act on Specified Commercial Transactions (Act No.57 of 1976, as amended).

Pursuant to the Act against Unjustifiable Premiums and Misleading Representations, when a seller advertises its products for sale, it is prohibited from making representations regarding the quality, standard or any other feature of such products, or price or any other trade terms, as being much better than that of the actual products or trade terms, or making representations without reasonable grounds or as being, contrary to fact, significantly superior to those of other entities that supply the same kind of or similar goods or services.

In addition, pursuant to the Act on Specified Commercial Transactions, a seller must include certain details of a product in its advertisement and **[REDACTED]**, when such advertising and application for purchase are done via websites or other media, and where the transaction of the product is conducted via communication devices (postal mail or other information processing devices). These details include selling prices, timing and means of paying, time of delivery, the applicable policy on withdrawal/cancellation of the transaction. A seller is also prohibited from making misleading advertisements, as well as sending advertisements via email without the consent of the recipient.

Act on the Protection of Personal Information

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) imposes various requirements on businesses that use databases containing personal information. Under this Act, any holder of personal information must lawfully use such personal information for the purposes specified when the information was obtained. Entities holding personal information are also restricted from providing personal information to third parties, subject to certain narrow exceptions. This Act is also applicable to the operators outside Japan which obtain personal information in relation to the provision of goods or services to persons in Japan.

Trademark Act

The Trademark Act (Act No. 127 of 1959, as amended) aims to protect registered trademarks. A holder of registered trademark right or an exclusive license thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive license to stop or prevent such infringement.

OVERVIEW

We are a rising global lifestyle brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a prominent presence in the online kitchenware segment across key markets, including China, the United States, Western Europe, Southeast Asia and Japan, making us one of the fastest-growing renowned kitchenware brands globally according to CIC. Our products are built to emphasize "Better for Use" and "Better for Value" through promoting a trendy cooking lifestyle, allowing our consumers to use high-quality kitchen products that combine innovative functions and stylish designs at highly accessible prices.

We offer an extensive selection of kitchenware products under our own brand name, "CAROTE", designed to meet the varied needs of customers worldwide. Leveraging our extensive experience in the kitchenware industry and consumer insights, we regularly roll out new products that respond to changing customer needs. In 2021, 2022 and 2023, we launched 520, 1,305, and 1,374 SKUs of our own-branded products, respectively. As of the Latest Practicable Date, our portfolio includes a diverse range of over 1,800 SKUs of branded products widely accessible to retail consumers across global via leading online platforms.

Our success in the global market is underpinned by a distinctive business model that combines our extensive industry expertise from years in the kitchenware sector with a dynamic online retail model designed for speedy global expansion. Our brand has achieved a prominent presence in the online cookware industry across key markets globally, ranking fifth in China, fourth in the United States, second in Southeast Asia, and fifth in Japan in terms of retail sales value in 2022, according to the CIC Report.

The progression of our business reflects a strategic evolution aligned with market demands and a commitment to delivering better products.

Headquartered in Hangzhou, China, our journey began in 2007 when Zhejiang Carote, one of our major subsidiaries, was founded by the parents of Ms. Lyu and Mr. Zhang, namely, Ms. Li Huiping, being the mother of Ms. Lyu, and Mr. Zhang Zhihui, being the father of Mr. Zhang. Mr. Zhang and Ms. Lyu are our Controlling Shareholders and our executive Directors. For further details of Mr. Zhang and Ms. Lyu's biographies, see "Directors and Senior Management".

Initially, we engaged primarily in providing OEM business services for overseas brands. In 2013, recognizing the market demands, we pivoted to focus on developing our ODM business, where we engaged in designing, developing and supplying customized cookware and other kitchenware products to international brand-owners and retailers.

Leveraging the expertise and critical insights into customer preferences gained through our ODM business, in 2016, we strategically ventured into the online retail sector by introducing kitchenware products under our own brand name, "CAROTE". This initiative represented a significant milestone, enabling us to directly offer products that reflect our understanding of market needs, characterized by innovation, direct customer engagement, and value for money. This strategic move quickly positioned us as a trusted provider of high-quality and innovative kitchenware products.

As our branded business continued to expand, we made another strategic transition concerning our production. While we previously relied on a combination of outsourced manufacturing by qualified manufacturing partners and in-house production, we transitioned to a fully outsourced, asset-light model from February 2022 to meet the rising demands for greater production capacity and efficiency.

In preparation for the **[REDACTED]**, we implemented the Reorganization. For details of the Reorganization, see "— Reorganization" below.

KEY MILESTONES

The following table summarizes the key milestones in our history:

Year	Milestone
2007	We established Zhejiang Carote, one of our major subsidiaries, to carry on OEM business
2013	We launched our ODM business
2016	We introduced our own brand name, "CAROTE" and ventured into the online retail sector in China, including launching our self-operated online store on Tmall
2017	We commenced sales for our "CAROTE" brand business in North America through Amazon
2018	We introduced our "CAROTE" brand business into the Southeast Asia overseas markets through online sales channels
2019	We expanded our "CAROTE" brand business into Hong Kong SAR and Japan overseas market

Year	Milestone
2023	We commenced sales of our "CAROTE" branded products in Western Europe

OUR MAJOR SUBSIDIARIES

Our business is substantially operated through our subsidiaries established around the world, including in China, Hong Kong SAR, the United States, Southeast Asia, Japan, India and Western Europe. The following sets forth information regarding our subsidiaries that have made a material contribution to the results of our operations during the Track Record Period:

Name of Major Subsidiary	Place of Establishment	Principal Business Activities	Date of Establishment
Zhejiang Carote	China	Investment holding, manufacturing, production, export, wholesale and retail of kitchenware and household goods	April 28, 2007
Carote Global	Hong Kong SAR	Trading	November 30, 2020
Carote Japan	Japan	Manufacturing and selling of kitchen utensils, pots, fluorine processed pots and tableware; import and export	June 25, 2020
Carote USA	United States	Import and retail sales of kitchenware and household goods	December 2, 2019

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY AND OUR MAJOR SUBSIDIARIES

Major Shareholding Changes of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 3, 2023, as the ultimate holding company of our Group. The authorized share capital of our Company was US$50,000 divided into 5,000,000 Shares with a par value of US$0.01 each upon incorporation. On March 15, 2023, the authorized capital of our Company was increased to US$200,801 divided into 20,080,100 Shares of a par value of US$0.01.

For details of the shareholding of each of the Shareholders of our Company upon incorporation, see "— Reorganization — (a) Incorporation of our Company and establishment of Carote CM".

For subsequent shareholding changes and changes in share capital of our Company as part of the Reorganization, see "— Reorganization" below.

Major Shareholding Changes of Zhejiang Carote

Zhejiang Carote was established in China on April 28, 2007, with an initial registered share capital of RMB5,000,000. Ms. Li Huiping and Mr. Zhang Zhihui, the mother of Ms. Lyu and the father of Mr. Zhang, respectively, were the initial shareholders respectively holding 55% and 45% of Zhejiang Carote's shareholding. Thereafter, Zhejiang Carote underwent several rounds of major changes in shareholding structure prior to the Reorganization.

Share Transfers in October 2013 and April 2019

On October 14, 2013, Ms. Li Huiping and Ms. Lyu entered into a share transfer agreement pursuant to which Ms. Li Huiping agreed to transfer all of her interests in Zhejiang Carote (namely 55% of the registered share capital in Zhejiang Carote) to Ms. Lyu at a consideration of RMB2,750,000. The registration procedures in relation to this transfer were completed on October 15, 2013.

On April 8, 2019, Mr. Zhang Zhihui and Mr. Zhang entered into a share transfer agreement pursuant to which, Mr. Zhang Zhihui agreed to transfer all of his interests in Zhejiang Carote (namely 45% of the registered share capital in Zhejiang Carote) to Mr. Zhang at a consideration of RMB2,250,000. The registration procedures in relation to this transfer were completed on April 28, 2019.

All such considerations in the abovementioned transactions were determined by the parties after arm's length negotiations based on the amounts of registered share capital acquired.

Set forth below is a table showing the shareholding structure of Zhejiang Carote upon completion of the transactions abovementioned:

Shareholders of Zhejiang Carote	Registered Share Capital Held	Approximate Shareholding Held
	(RMB)	
Ms. Lyu	2,750,000	55%
Mr. Zhang	2,250,000	45%
Total	**5,000,000**	**100%**

Capital injection by Mr. Zhang and Ms. Lyu in June 2019

On June 14, 2019, the registered capital of Zhejiang Carote was increased from RMB5,000,000 to RMB30,000,000, as a result of capital injections in the amount of RMB16,500,000 and RMB13,500,000 by Ms. Lyu and Mr. Zhang, respectively. Upon completion of this capital injection, the shareholding ratio among Ms. Lyu and Mr. Zhang remained the same.

Restructuring in November 2021

On October 13, 2021, Ms. Lyu, Mr. Zhang, Zhejiang Shengen, Legang Technology and Kesheng Technology entered into share transfer agreements, pursuant to which, (a) Ms. Lyu agreed to transfer 33% of the registered share capital in Zhejiang Carote to Zhejiang Shengen for a consideration of RMB9,900,000; (b) Ms. Lyu agreed to transfer 2.75% of the registered capital in Zhejiang Carote to Legang Technology for a consideration of RMB825,000; (c) Ms. Lyu agreed to transfer 2.75% of the registered capital in Zhejiang Carote to Kesheng Technology for a consideration of RMB825,000; (d) Mr. Zhang agreed to transfer 27% of the registered share capital of Zhejiang Carote to Zhejiang Shengen for a consideration of RMB8,100,000; (e) Mr. Zhang agreed to transfer 2.25% of the registered capital in Zhejiang Carote to Legang Technology for a consideration of RMB675,000; and (f) Mr. Zhang agreed to transfer 2.25% of the registered capital in Zhejiang Carote to Kesheng Technology for a consideration of RMB675,000. The abovesaid consideration amounts were based on the amounts of registered capital acquired by the respective entities. The registration procedures in relation to these transfers were completed on November 11, 2021.

Set forth below is a table showing the shareholding structure of Zhejiang Carote upon completion of the transactions abovementioned:

Shareholders of Zhejiang Carote	Registered Share Capital Held	Approximate Shareholding Held
	(RMB)	
Mr. Zhang	4,050,000	13.50%
Ms. Lyu	4,950,000	16.50%
Zhejiang Shengen[(1)]	18,000,000	60.00%
Kesheng Technology[(2)]	1,500,000	5.00%
Legang Technology[(3)]	1,500,000	5.00%
Total	**30,000,000**	**100%**

Notes:

(1) Zhejiang Shengen is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

(2) Kesheng Technology is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

(3) Legang Technology is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

Division of Zhejiang Carote completed in February 2023

On December 12, 2022, Zhejiang Carote held a shareholders' meeting in which it was resolved that Zhejiang Carote would undergo corporate division by way of split-off (存續分立), such that Zhejiang Leshengen would be established to hold certain of the assets and liabilities of Zhejiang Carote while Zhejiang Carote would continue to exist. On December 15, 2022, Zhejiang Carote published an announcement of division (分立公告) on the NECIPS.

Based on a special audit report issued by an independent tax agent for the purposes of the corporate division of Zhejiang Carote with the reference date of November 30, 2022, on February 3, 2023, Zhejiang Carote held a shareholders' meeting in which the division of assets, liabilities and equity as between Zhejiang Carote and Zhejiang Leshengen was approved. On the same date, Zhejiang Carote and Zhejiang Leshengen signed a corporate division agreement, pursuant to which it was agreed that Zhejiang Leshengen would hold the Yongkang Land Parcel and all construction projects thereon, and the entire equity interest in Gangle Kitchenware. The Premises are constructed on the Yongkang Land Parcel held by Zhejiang Leshengen. At the time of the aforesaid corporate division, Gangle Kitchenware held a land parcel located in an industrial park in Wuyi County, Zhejiang Province, China, on which there were two construction projects for the construction of dormitory facilities and warehouse facilities. Other than the business of developing and holding such property assets on the aforesaid land parcel located in Wuyi County, Zhejiang Province, China, Gangle Kitchenware engaged in no other business activities since its incorporation up to the date of completion of the corporate division of Zhejiang Carote as aforesaid. As set out in the aforesaid special audit report, as of November 30, 2022, the entire equity interest in Gangle Kitchenware was valued at RMB30 million, while the intangible assets and construction in progress in relation to the Yongkang Land Parcel were valued at approximately RMB20.01 million and RMB31.37 million, respectively.

The Directors consider that the asset-light approach taken towards the allocation of assets, liabilities and equity to Zhejiang Carote, which would be a member of the Group for the purposes of **[REDACTED]**, in the course of the abovesaid corporate division is consistent with the business model and strategies pursued by the Group.

In light of the above and as confirmed by our Directors, all future liabilities (including contingent liabilities) associated with the assets allocated to Zhejiang Leshengen were clearly allocated to Zhejiang Leshengen, such that Zhejiang Leshengen bears sole liability in relation to the foregoing following completion of the abovesaid corporate division of Zhejiang Carote.

On February 8, 2023, Zhejiang Carote completed the procedures for corporate division at the Yongkang Municipal Market Supervision and Regulation Bureau of China. Upon completion of the change of registration of Zhejiang Carote on such date, the equity interest ratio among the shareholders in Zhejiang Carote remained unchanged. Upon completion of these procedures, the corporate division of Zhejiang Carote was deemed completed and Zhejiang Leshengen was deemed to be established on such date.

Immediately prior to the abovesaid corporate division, the registered share capital of Zhejiang Carote was RMB30,000,000. Subsequent to completion of the abovesaid division, the registered share capital of Zhejiang Carote and Zhejiang Leshengen were RMB20,000,000 and RMB10,000,000, respectively.

Set forth below is a table showing the shareholding structure of Zhejiang Carote upon completion of the transactions abovementioned:

Shareholders of Zhejiang Carote	Registered Share Capital Held	Approximate Shareholding Held
	(RMB)	
Mr. Zhang	2,700,000	13.50%
Ms. Lyu	3,300,000	16.50%
Zhejiang Shengen	12,000,000	60.00%
Kesheng Technology	1,000,000	5.00%
Legang Technology	1,000,000	5.00%
Total	**20,000,000**	**100%**

Set forth below is a table showing the shareholding structure of Zhejiang Leshengen upon completion of the transactions abovementioned:

Shareholders of Zhejiang Leshengen	Registered Share Capital Held	Approximate Shareholding Held
	(RMB)	
Mr. Zhang	1,350,000	13.50%
Ms. Lyu	1,650,000	16.50%
Zhejiang Shengen	6,000,000	60.00%
Kesheng Technology	500,000	5.00%
Legang Technology	500,000	5.00%
Total	**10,000,000**	**100%**

For subsequent shareholding changes of Zhejiang Carote as part of the Reorganization, see "— Reorganization" below.

Major Shareholding Changes of Carote Japan

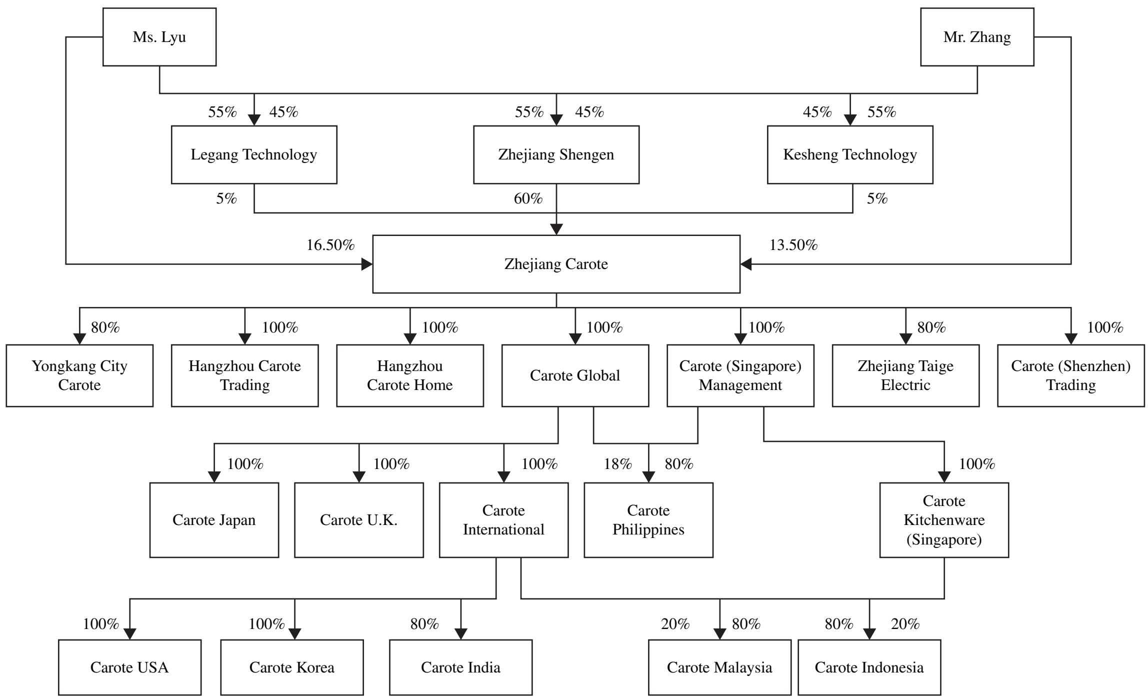
Carote Japan was established in Japan on June 25, 2020, and its sole founder shareholder was Mr. Zhang, holding 300 shares. On August 31, 2021, Mr. Zhang transferred 300 shares of Carote Japan to Carote Global at a consideration of US$27,309. Such consideration was determined based on arms' length negotiation between the parties with reference to the registered share capital of Carote Japan. Following completion of this transaction, Carote Global was the sole shareholder of Carote Japan holding all of its issued shares.

Save as aforesaid, there were no other major shareholding changes in those subsidiaries which have made a material contribution to the results of our operations during the Track Record Period since their respective incorporation dates.

For details of the changes in capital of our subsidiaries during the last two years immediately preceding the date of this document, see "Appendix IV — Statutory and General Information — Further Information about our Group — (e) Changes in the Capital of our Subsidiaries". For changes in the shareholding structure of our subsidiaries during the Reorganization, see "— Reorganization" below.

REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the commencement of the Reorganization.



Notes:

(1) Prior to and after the Reorganization, Carote Philippines is held as to 80% by Carote (Singapore) Management, 18% by Carote Global, 1% by Mr. Zhang and 1% by Ms. Lyu.

(2) Prior to the Reorganization, Carote India was held as to 80% by Carote International and 20% by Ms. Lyu. During the Reorganization, Ms. Lyu transferred 20% held in Carote India to Carote Global. For further details of the changes in shareholding in Carote India during the Reorganization, see "— Reorganization — (g) Transfer of 20% shareholding in Carote India by Ms. Lyu to Carote Global".

(3) Prior to the Reorganization, Zhejiang Taige Electric was held as to 80% by Zhejiang Carote and 20% by Ms. Li Huiping. On February 23, 2024, Zhejiang Carote completed the transfer of all shareholding interest held by it at such time in Zhejiang Taige Electric to an independent third party, following which, Zhejiang Taige Electric ceased to be a member of the Group. During the Track Record Period, Zhejiang Taige Electric did not carry on any business operations and did not hold any assets.

In preparation for the **[REDACTED]**, we underwent the Reorganization. The key steps of the Reorganization are set out below.

(a) Incorporation of Our Company and establishment of Carote CM

On February 3, 2023, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of our Group, as part of the Reorganization. Upon incorporation, the authorized share capital of our Company was US$50,000 divided into 5,000,000 Shares with a par value of US$0.01 each, and one Share was issued and allotted to Vistra (Cayman) Limited, an independent third party.

On the same date of its incorporation, Vistra (Cayman) Limited transferred one Share to Carote CM for a consideration of US$0.01, and our Company issued and allotted 499,999 Shares and 4,500,000 Shares at a consideration of US$4,999.99 and US$45,000 to Carote CM and Yili Investment, respectively, based on the par value of the Shares at such time. Upon completion of the transactions above, the shareholding structure of our Company was as follows:

Shareholders	No. of Shares held	Shareholding percentage held
Carote CM(1)	500,000	10%
Yili Investment(2)	4,500,000	90%
Total	**5,000,000**	**100%**

Notes:

(1) Carote CM is held as to approximately 0.12% by Guodong Capital as general partner and 99.88% by Luo Qin Investment as limited partner. Guodong Capital is wholly-owned by Mr. Zhang. Luo Qin Investment is held as to approximately 43.75% by Mr. Zhang Jincai, 25% by Ms. Meng, 18.75% by Mr. Xia and 12.50% by Ms. Xue.

(2) Yili Investment is held as to 55% by Yili Capital and 45% by Guodong Capital. Yili Capital is wholly-owned by Ms. Lyu. Guodong Capital is wholly-owned by Mr. Zhang.

Carote CM was established as a shareholding vehicle for the purposes of the Employee Incentive Scheme. Since its incorporation up to the Latest Practicable Date, it is held as to 0.12% by Guodong Capital as general partner and 99.88% by Luo Qin Investment as limited partner, and Luo Qin Investment is in turn held by our Key Employees. The capital commitments of Mr. Zhang Jincai, Ms. Meng, Mr. Xia, Ms. Xue represent approximately 43.75%, 25%. 18.75% and 12.50% of all capital commitments in Luo Qin Investment, respectively. For further details of our Employee Incentive Scheme, see "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme".

(b) Issuance and allotment of shares in Our Company and other shareholding changes

On March 15, 2023, Carote CM transferred 419,900 Shares to Yili Investment for a consideration of US$4,199, based on the par value of the Shares at such time. On the same date, our Company issued and allotted 15,080,100 Shares to Yili Investment at par value. Upon completion of the transactions above, the shareholding structure of our Company was as follows:

Shareholders	No. of Shares held	Approximate Shareholding percentage held
Carote CM[1]	80,100	0.40%
Yili Investment[1][2]	20,000,000	99.6%
Total	**20,080,100**	**100%**

Notes: See notes set out under the shareholding table in "— Reorganization — (a) Incorporation of our Company and establishment of Carote CM".

(c) Incorporation of Carote Group

On March 7, 2023, Carote Group was incorporated as a limited liability company in Hong Kong SAR. It issued and allotted 100,000 ordinary shares to our Company.

(d) Establishment of our predecessor employee shareholding platform for the Employee Incentive Scheme

On February 28, 2023, we established Luoqin Enterprise in China as a shareholding vehicle for interest in Zhejiang Carote so as to incentivize key employees of Zhejiang Carote and retain them for continuing service for our Group's development. Pursuant to a partnership agreement dated February 22, 2023 between Mr. Zhang as general partner and Mr. Zhang Jincai, Ms. Meng, Mr. Xia, and Ms. Xue as limited partners, it was agreed that the initial capital commitment of Mr. Zhang Jincai, Ms. Meng, Mr. Xia and Ms. Xue in Luoqin Enterprise would be RMB113,750, RMB65,000, RMB48,750 and RMB32,500, respectively, representing approximately 43.70%, 24.97%, 18.73% and 12.48% of all capital commitments in Luoqin Enterprise at such time, respectively, while Mr. Zhang, as general partner, held 0.12% of the equity interest in Luoqin Enterprise.

On April 14, 2023, Luoqin Enterprise acquired RMB80,100 registered share capital of Zhejiang Carote by way of capital increase and became one of its shareholders, at a consideration of RMB272,340. Such consideration was determined by the parties after arms' length negotiations based on the valuation of Zhejiang Carote by an independent valuer as of February 28, 2023.

Pursuant to the Reorganization, the respective interest held by each of the Key Employees in Luoqin Enterprise was exchanged for corresponding interests in Luo Qin Investment, which was established to hold interests in Carote CM, which in turn directly holds Shares in our Company. See "— Reorganization" below for further details.

For further information regarding the Employee Incentive Scheme, see "Appendix IV — Statutory and General Information — Further information about our Directors and Substantial Shareholders — (e) Employee Incentive Scheme".

Set forth below is a table showing the shareholding structure of Zhejiang Carote upon completion of the transactions abovementioned:

Shareholders of Zhejiang Carote	**Registered Share Capital Held**	**Approximate Shareholding Held**
	(RMB)	
Mr. Zhang	2,700,000	13.45%
Ms. Lyu	3,300,000	16.43%
Zhejiang Shengen[(1)]	12,000,000	59.76%
Kesheng Technology[(1)]	1,000,000	4.98%
Legang Technology[(1)]	1,000,000	4.98%
Luoqin Enterprise[(2)]	80,100	0.40%
Total	**20,080,100**	**100%**

Notes:

(1) See notes set out under the shareholding table in "— Major Shareholding Changes of Our Company and Our Major Subsidiaries — Major Shareholding Changes of Zhejiang Carote — Restructuring in November 2021" for details of these shareholders.

(2) The capital commitments of Mr. Zhang Jincai, Ms. Meng, Mr. Xia, Ms. Xue represent approximately 43.70%, 24.97%, 18.73% and 12.48% of all capital commitments in Luoqin Enterprise, respectively.

(e) Subscription for the registered capital of Zhejiang Carote by Denk Trade

On June 20, 2023, pursuant to a capital increase agreement dated May 4, 2023, Denk Trade acquired RMB202,829.30 registered share capital of Zhejiang Carote by way of capital increase and became one of its shareholders, at a consideration of approximately RMB686,868.70. Such consideration was determined based on the valuation report for Zhejiang Carote with the reference date of February 28, 2023 as issued by an independent valuer.

Immediately after subscription by Denk Trade, Zhejiang Carote was converted from a domestic company into a foreign-invested enterprise. For details of the Pre-**[REDACTED]** Investment, see "— Pre-**[REDACTED]** Investment" in this section.

Set forth below is a table showing the shareholding structure of Zhejiang Carote upon completion of the transactions abovementioned:

Shareholders of Zhejiang Carote	**Registered Share Capital held**	**Approximate Shareholding percentage held**
	(RMB)	
Mr. Zhang	2,700,000	13.31%
Ms. Lyu	3,300,000	16.27%
Zhejiang Shengen(1)	12,000,000	59.16%
Kesheng Technology(1)	1,000,000	4.93%
Legang Technology(1)	1,000,000	4.93%
Luoqin Enterprise(2)	80,100	0.40%
Denk Trade(3)	202,829.30	1.00%
Total	**20,282,929.30**	**100%**

Notes:

(1) See notes set out under the shareholding table in "— Major Shareholding Changes of Our Company and Our Major Subsidiaries — Major Shareholding Changes of Zhejiang Carote — Restructuring in November 2021".

(2) The capital commitments of Mr. Zhang Jincai, Ms. Meng, Mr. Xia, Ms. Xue represent approximately 43.70%, 24.97%, 18.73% and 12.48% of all capital commitments in Luoqin Enterprise, respectively.

(3) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-**[REDACTED]** Investment".

(f) Acquisition of Zhejiang Carote by Carote Group

On August 29, 2023, pursuant to share transfer agreements entered into between each of Mr. Zhang. Ms. Lyu, Zhejiang Shengen, Kesheng Technology, Legang Technology, Luoqin Enterprise and Denk Trade on one hand, and Carote Group on the other hand, Carote Group completed the registration procedures for the acquisition of the entire equity interest in Zhejiang Carote as held by the aforementioned shareholders. The shareholding amounts held by each of the aforementioned shareholders immediately prior to completion of such acquisition and the corresponding amounts of the consideration are as set out below:

Shareholders of Zhejiang Carote	Registered Share Capital held	Approximate Shareholding percentage held	Consideration paid for acquisition by Carote Group
	(RMB)		*(RMB)*
Mr. Zhang	2,700,000	13.31%	9,051,956
Ms. Lyu	3,300,000	16.27%	11,063,464
Zhejiang Shengen(1)	12,000,000	59.16%	40,230,840
Kesheng Technology(2)	1,000,000	4.93%	3,352,604
Legang Technology(3)	1,000,000	4.93%	3,352,604
Luoqin Enterprise(4)	80,100	0.40%	268,532
Denk Trade(5)	202,829.30	1.00%	680,000
Total	**20,282,929.30**	**100%**	**68,000,000**

Notes:

(1) Zhejiang Shengen is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

(2) Kesheng Technology is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

(3) Legang Technology is held as to 45% by Mr. Zhang and 55% by Ms. Lyu.

(4) The capital commitments of Mr. Zhang Jincai, Ms. Meng, Mr. Xia, Ms. Xue represent 43.70%, 24.97%, 18.73% and 12.48% of all capital commitments in Luoqin Enterprise, respectively.

(5) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-**[REDACTED]** Investment".

Immediately following completion of these share transfers, Carote Group became the sole shareholder of Zhejiang Carote. Such consideration was determined by the parties after arms' length negotiations with reference to the valuation of Zhejiang Carote in a valuation report issued by an independent valuer with the reference date of February 28, 2023.

(g) Transfer of 20% shareholding in Carote India by Ms. Lyu to Carote Global

On September 13, 2023, pursuant to a share purchase agreement entered on even date, Ms. Lyu transferred 2,000 shares in Carote India, representing 20% of its issued share capital and all those shares held by Ms. Lyu in Carote India, to Carote Global, for a consideration of INR572,000. Such consideration amounts were determined based on the valuation of Carote India as set out in a valuation report compiled by an independent valuer in relation to Carote India as of September 5, 2023. At completion of the transaction described above, Carote India was held as to 80% by Carote International and as to 20% by Carote Global.

(h) Acquisition of interest in our Company by Denk Trade

On September 21, 2023, pursuant to a subscription agreement dated on even date, our Company allotted and issued 202,830 Shares to Denk Trade, for a consideration of RMB680,000. Such consideration was determined by the parties after arms' length negotiations with reference to the consideration paid by (i) Denk Trade to Zhejiang Carote for the subscription of 1% equity interest in Zhejiang Carote as more particularly described in "— Reorganization — (e) Subscription for the registered capital of Zhejiang Carote by Denk Trade"; and (ii) the Company to Denk Trade for such 1% equity interest then held by it in Zhejiang Carote, as more particularly described in "— Reorganization — (f) Acquisition of Zhejiang Carote by Carote Group" above. Immediately following completion of such subscription, Denk Trade held 1% of the entire issued share capital in our Company. For further information regarding the Pre-**[REDACTED]** Investment, see "— Pre-**[REDACTED]** Investment" in this section.

Set forth below is a table showing the shareholding structure of our Company upon completion of the transactions abovementioned:

Shareholders	No. of Shares held	Approximate Shareholding percentage held
Carote CM[(1)]	80,100	0.40%
Yili Investment[(1)]	20,000,000	98.60%
Denk Trade[(2)]	202,830	1.00%
Total	**20,282,930**	**100%**

Notes:

(1) See notes set out under the shareholding table in "— Reorganization — (a) Incorporation of our Company and establishment of Carote CM".

(2) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-**[REDACTED]** Investment"

(i) Acquisition of Carote Japan by Carote Group

On January 31, 2024, pursuant to a share transfer agreement entered on December 20, 2023, Carote Group acquired the entire issued share capital in Carote Japan from Carote Global for a consideration of 66,600,000 Japanese Yen. Such consideration amount was determined on the basis of net asset value of Carote Japan (as reflected in its unaudited management accounts) attributable to each of its ordinary shares as of August 31, 2023. At completion of the transaction described above, Carote Japan was held as to 100% by Carote Group.

(j) Acquisition of Carote Global by Carote Group

On February 23, 2024, Carote Group acquired the entire issued share capital in Carote Global from Zhejiang Carote for a consideration of US$100,000. Such consideration amount was determined on the basis of a nominal consideration of US$1.00 for each share held by Zhejiang Carote in Carote Global.

(k) Subdivision of the Shares in our Company

On February 29, 2024, pursuant to written resolutions passed by our Shareholders on even date, each Share of a nominal or par value of US$0.01 in the issued and unissued share capital in the Company was sub-divided into 20 Shares of a nominal or par value of US$0.0005, and the authorized share capital of the Company was accordingly amended from US$250,000 divided into 25,000,000 Shares of a nominal or par value of US$0.01 each, to US250,000 divided into 500,000,000 Shares of a nominal or par value of US$0.0005 each.

Set forth below is a table showing the shareholding structure of our Company upon completion of the transactions abovementioned (namely, the Share Subdivision):

Shareholders	No. of Shares held	Approximate Shareholding percentage held
Carote CM[1]	1,602,000	0.40%
Yili Investment[1]	400,000,000	98.60%
Denk Trade[2]	4,056,600	1.00%
Total	**405,658,600**	**100%**

Notes:

(1) See notes set out under the shareholding table in "— Reorganization — (a) Incorporation of our Company and Carote CM".

(2) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-**[REDACTED]** Investment"

PRE-[REDACTED] INVESTMENT

Terms of the Pre-[REDACTED] Investment

For details of the Pre-**[REDACTED]** Investment, the subsequent sale of equity interest in Zhejiang Carote by Denk Trade to Carote Group and the subscription of Shares by Denk Trade, see "— Reorganization". The consideration for the acquisition of equity interest by Denk Trade in Zhejiang Carote and subsequently in the Company was duly settled on July 24, 2023 and **[REDACTED]**, respectively. The consideration paid for the acquisition of Shares by Denk Trade amounted to RMB680,000 for the acquisition of 202,830 Shares, which were subsequently subdivided into **[REDACTED]** Shares pursuant to the Share Subdivision, representing a cost per Share of approximately RMB**[REDACTED]** per Share, being a discount of **[REDACTED]** to the **[REDACTED]** (assuming that the **[REDACTED]** is HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of **[REDACTED]** to **[REDACTED]**). The proceeds of the **[REDACTED]** were used as general working capital of our Group and have been fully utilized as of the Latest Practicable Date. No special rights were granted to Denk Trade or Mr. Hartinger in connection with the **[REDACTED]**.

Background of Mr. Hartinger and Denk Trade

Denk Trade is wholly-owned by Mr. Hartinger. To the best of our Directors' knowledge, having made reasonable enquiries, Mr. Hartinger, through his associates, was historically an OEM customer of the Group. Mr. Hartinger's spouse, Ms. Natja Denk, is a director of Carote Germany, a subsidiary of the Company which was newly established in October 2023. She was also the director of Carote U.K., a subsidiary of the Company, until her resignation from this position in February 2021.

To the best of our Directors' knowledge, Mr. Hartinger has many years of experience in the kitchenware industry, and it is expected that Mr. Hartinger's exposure and experience could contribute to our Company from an investor's perspective. Considering the prospects of our business, to the best of our Directors' knowledge, Mr. Hartinger invested in our Group through Denk Trade using his personal resources. To the best of our Directors' knowledge, Mr. Hartinger invested in our Group through Denk Trade as he appreciates the prospects and potential growth of our Group. Save as disclosed above, each of Mr. Hartinger and Denk Trade did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates as of the Latest Practicable Date.

Immediately after completion of the Reorganization but before the **[REDACTED]**, Denk Trade held 1.00% of the entire issued share capital in our Company. Immediately after completion of the **[REDACTED]** (without taking into account any Share which may be allotted and issued upon the exercise of the **[REDACTED]**), Denk Trade held approximately **[REDACTED]** of the entire issued share capital of our Company.

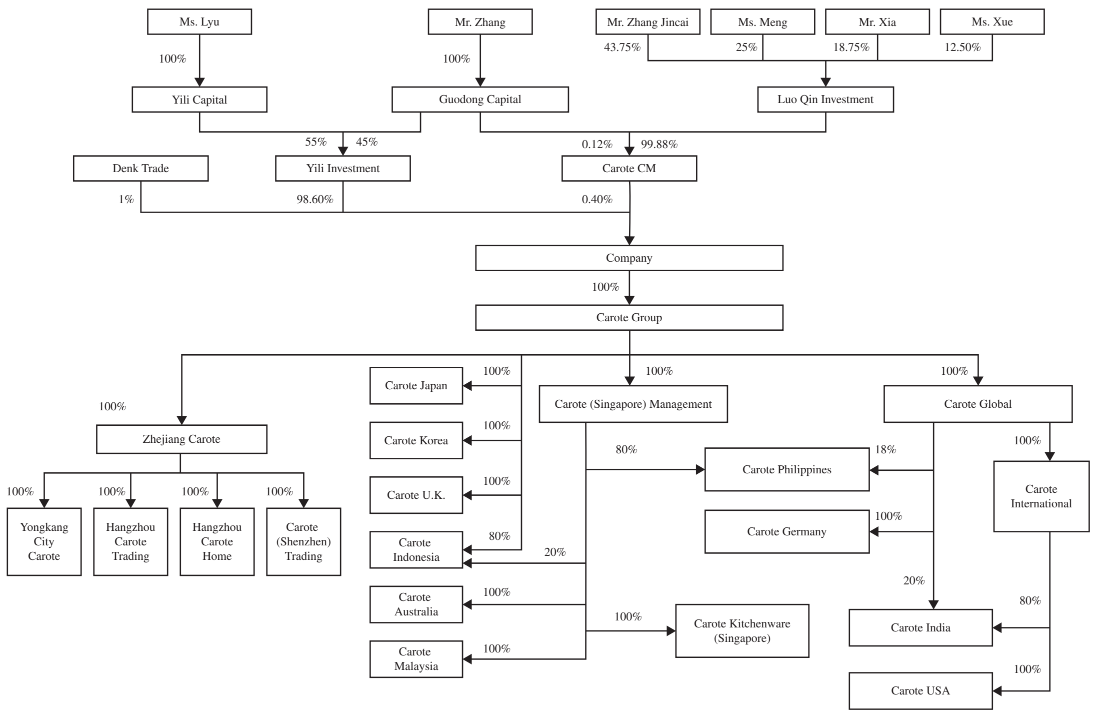
The Shares held by Denk Trade will not be considered as part of the **[REDACTED]** after **[REDACTED]** for the purpose of Rule 8.24 of the Listing Rules as Denk Trade is wholly-owned by Mr. Hartinger, whose spouse, Ms. Natja Denk, is a director of Carote Germany and a core connected person of the Company, and therefore, as close associates of Ms. Natja Denk, Mr. Hartinger and Denk Trade are also core connected persons of the Company.

Joint Sponsors' confirmation

On the basis that (i) the consideration for the **[REDACTED]** was irrevocably settled more than 28 clear days before the date of first filing of the **[REDACTED]** to the Stock Exchange; and (ii) no special rights were granted to Denk Trade or Mr. Hartinger in connection with the **[REDACTED]**, the Joint Sponsors confirm that the **[REDACTED]** is in compliance with the **[REDACTED]** Guidance (as defined in Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange).

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization but prior to the **[REDACTED]**:



Notes:

(1) Mr. Zhang is the general partner of Carote CM, while Luo Qin Investment is the limited partner of Carote CM.

(2) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-**[REDACTED]** Investment"

(3) Carote Germany was established under the laws of Germany on October 24, 2023 and its founder shareholder was Carote Global.

(4) On March 6, 2023, Carote Global acquired the entire issued share capital in Carote Australia from Mr. Zhang, for a consideration of A$100, at par value of the shares in Carote Australia. At completion of the transaction described above, Carote Australia was held as to 100% by Carote Global. On January 31, 2024, pursuant to an equity transfer agreement entered into on even date, Carote (Singapore) Management acquired the entire issued share capital in Carote Australia from Carote Global, for a consideration of A$100, at par value of the shares in Carote Australia. At completion of the transaction described above, Carote Australia was held as to 100% by Carote (Singapore) Management.

(5) On December 27, 2023, pursuant to a share transfer agreement entered into on December 18, 2023, Carote Group acquired the entire issued share capital in Carote Korea from Carote International for a consideration of 1,000,000 Korean Won. Such consideration amount was determined on the basis of the registered capital of Carote Korea. At completion of the transaction described above, Carote Korea was held as to 100% by Carote Group.

(6) On December 28, 2023, Mr. Zhang transferred such 20% interest held by him in Yongkang City Carote to Zhejiang Carote for nil consideration pursuant to a share purchase agreement entered into on December 11, 2023. At completion of the transaction described above, Yongkang City Carote was held as to 100% by Zhejiang Carote.

(7) On January 23, 2024, pursuant to a share transfer agreement entered into on January 18, 2024, Carote Group acquired the entire issued share capital in Carote (Singapore) Management from Zhejiang Carote for a consideration of US$100,000. Such consideration amount was determined on the basis of a nominal consideration of US$1.00 for each share held by Zhejiang Carote in Carote (Singapore) Management. At completion of the transaction described above, Carote (Singapore) Management was held as to 100% by Carote Group.

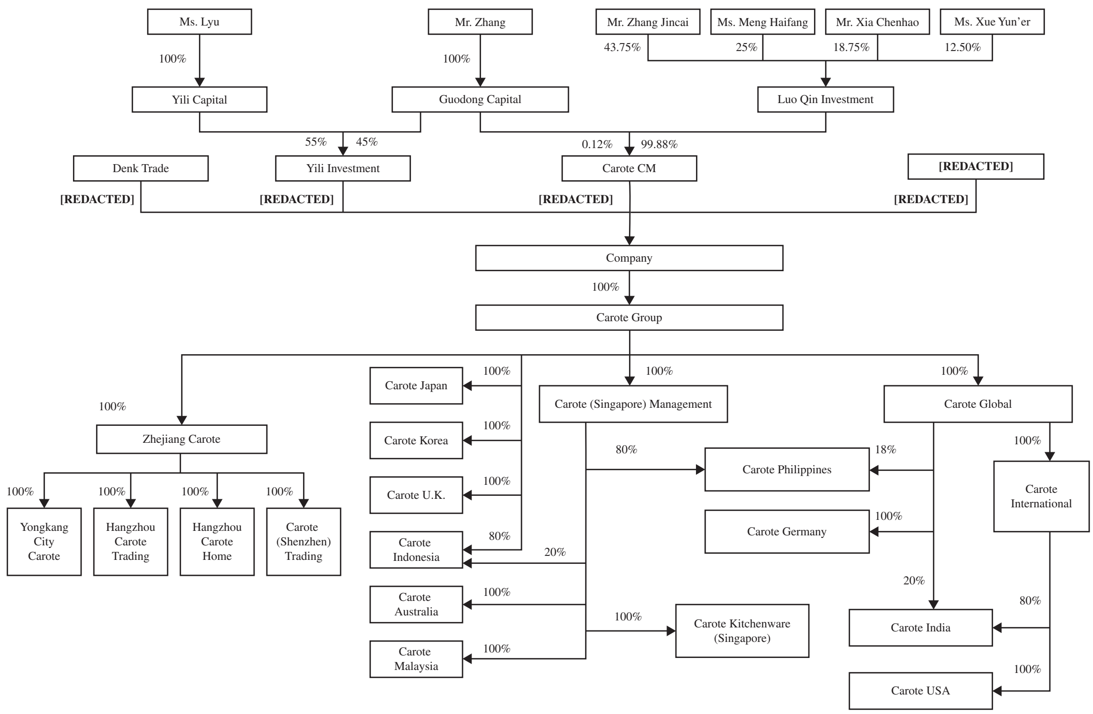
(8) On February 26, 2024 (i) Carote Kitchenware (Singapore) transferred 80% of the issued share capital in Carote Malaysia to Carote (Singapore) Management for a nominal consideration of 800 Malaysian Ringgits, representing 1 Malaysian Ringgit for each ordinary share transferred, and (ii) Carote International transferred 20% of the issued share capital in Carote Malaysia to Carote (Singapore) Management for a nominal consideration of 200 Malaysian Ringgits, representing 1 Malaysian Ringgit for each ordinary share transferred. Following completion of the transactions described above, Carote Malaysia was held as to 100% by Carote (Singapore) Management.

(9) On January 12, 2024, pursuant to a share transfer agreement entered into on January 2, 2024, Carote Global transferred 100% of the issued share capital in Carote U.K. to Carote Group for a nominal consideration of 100 English Pounds. At completion of the transaction described above, Carote U.K. was held as to 100% by Carote Group.

(10) On February 23, 2024, pursuant to a share transfer agreement entered into on January 22, 2024, Carote International transferred 80% of the issued share capital in Carote Indonesia to Carote Group for a consideration of 8,080 million Indonesian Rupiahs. Such consideration amount was determined on the basis of the registered capital acquired in this transaction. On February 23, 2024, pursuant to a share transfer agreement entered into on January 22, 2024, Carote Kitchenware (Singapore) transferred 20% of the issued share capital in Carote Indonesia to Carote (Singapore) Management for a consideration of 2,020 million Indonesian Rupiahs. Such consideration amount was determined on the basis of the registered capital acquired in this transaction. At completion of the transactions described above, Carote Indonesia was held as to 80% by Carote Group and as to 20% by Carote (Singapore) Management.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised.



Note: See notes under the table in "— Our Structure Immediately Prior to the **[REDACTED]**".

[REDACTED]

The Shares held by our Controlling Shareholders, representing approximately **[REDACTED]** of our total issued Shares upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will not be counted towards **[REDACTED]**. As our **[REDACTED]** investor, Denk Trade, is a core connected person of our Company, the Shares held by Denk Trade, representing approximately **[REDACTED]** of the total issued Shares upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will also not be counted towards **[REDACTED]**.

Save as disclosed above, no other Shareholder is a core connected person of our Company as defined in the Listing Rules. Therefore, the Shares held by the other Shareholders (including the Shareholders participating in the **[REDACTED]**) will count towards the **[REDACTED]** for the purposes of Rule 8.08 of the Listing Rules.

PRC Legal Compliance

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in material respects.

SAFE Registration

Pursuant to the SAFE Circular No. 37, an overseas special purpose vehicle is an enterprise that is established by a PRC resident which contributes assets or equity interests legally held by him/her to such enterprise, and before a PRC resident contributes assets or equity interests in such overseas special purpose vehicle (the "**Overseas SPV**"), the PRC resident must conduct foreign exchange registration for offshore investment with the local branch of SAFE. Where a significant matter occurs such as a capital increase/decrease, equity transfer/replacement by a domestic resident individual, change of name, change of operating period, or corporate merger or division, the foreign exchange modification registration procedure for foreign investment shall be undertaken with the local branch of SAFE in a timely manner. Pursuant to the Circular of SAFE on Further Simplification and Improvement Policies in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**") issued by SAFE and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the relevant regulations instead of the local branch of SAFE.

Our PRC Legal Advisor has confirmed that each of Ms. Lyu, Mr. Zhang, Mr. Zhang Jincai, Ms. Meng, Mr. Xia, and Ms. Xue, being PRC residents, have duly registered in respect of his/her investment in our Group in accordance with SAFE Circular No. 37 and SAFE Circular No. 13 on May 23, 2023.

M&A Rules

According to Article 2 of the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") jointly issued by six PRC governmental and regulatory agencies, including MOFCOM and CSRC, which became effective on September 8, 2006 and amended on June 22, 2009, foreign investors should comply with the M&A Rules and other applicable PRC laws and regulations when the foreign investors purchase equity interests of shareholders in a domestic non-foreign-invested enterprise ("**domestic company**") or subscribe for increased capital of a domestic company, thus converting the domestic company into a foreign-invested enterprise; or when the foreign investors purchase the assets of a domestic company and use such assets to invest in, and establish, a foreign-invested enterprise in China, to operate the assets of a domestic company through such foreign-invested enterprise by agreement; or when foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets ("**merger and acquisition of equity interests**"). According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company legally established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him/her, approval from MOFCOM is required.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access* (《外商投資准入管理指引手冊》(2008)) promulgated by Foreign Investment Department of the Ministry of Commerce (商務部外資司), when a domestic shareholder in a foreign-invested enterprise that has been already been established transfers its equity interest to a foreign investor, the M&A Rules shall not apply, notwithstanding whether or not (i) the domestic shareholder of the domestic company is connected with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor.

As advised by our PRC Legal Advisors, (1) given that Mr. Hartinger is a natural person of foreign nationality and together with Denk Trade, and did not have a connected relationship with our Group at the time of Denk Trade's subscription of 1.00% of the equity interest in Zhejiang Carote, approval from MOFCOM was not required in respect of Denk Trade's subscription of the equity interest in Zhejiang Carote as such subscription was not subject to the relevant articles of the M&A Rules and Zhejiang Carote was converted from a domestic company into a foreign-invested enterprise immediately after such subscription by Denk Trade; and (2) the acquisition of equity interest in Zhejiang Carote by Carote Group was not subject to the M&A Rules because Zhejiang Carote was a foreign-invested enterprise at the time of such acquisition. Accordingly, such acquisition of Zhejiang Carote by Carote Group was not subject to any prior approval from MOFCOM under the M&A Rules, and the subscription of the aforesaid equity interest was not subject to the relevant provisions under the M&A Rules.

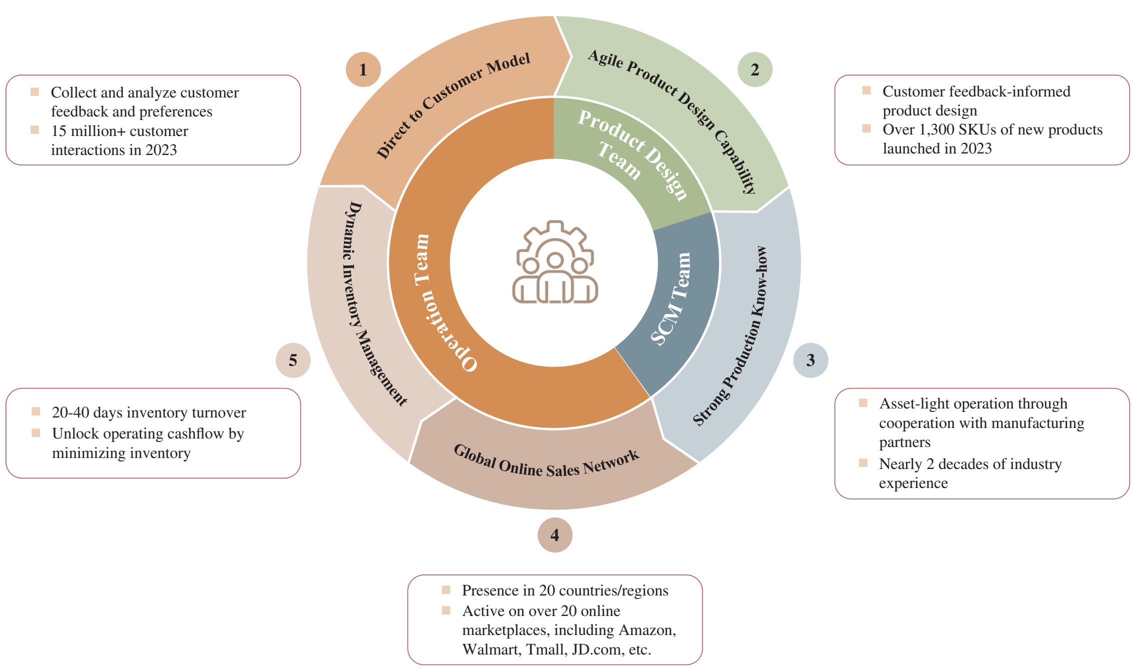
OVERVIEW

We are a rising global lifestyle brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a prominent presence in the online kitchenware segment across key markets, including China, the United States, Western Europe, Southeast Asia, and Japan, making us one of the fastest-growing kitchenware brands globally. Our products are built to emphasize "Better for Use" and "Better for Value" through promoting a trendy cooking lifestyle, allowing our consumers to use high-quality kitchen products that combine innovative functions and stylish designs at highly accessible prices.

Our Business Model

Lifestyle design, quality, and affordability are the core of "CAROTE" products. Our key competencies come from our ability to deliver high-quality design-oriented lifestyle products for consumers in a timely manner through an effective and scalable business model.

As illustrated by the diagram below, our business model comprises the following five key elements, which differentiate us from other players in the market and continue to drive our future growth.



1. Direct-to-Consumer Sales Model

We strategically launched our brand with a direct-to-customer (DTC) sales model, focusing on reaching retail customers worldwide through online sales channels. Through this model, we can engage directly with end-user customers and obtain consumer preferences and feedback across different markets for multi-dimensional market analysis and studies. Such direct engagement facilitates rapid response to customer needs by introducing the most suitable products for each market and has been instrumental in creating tailored products "for better use" that resonate with our customer base.

2. Agile Product Design and Development Capability

We take pride in our ability to design and provide highly relevant kitchenware products to consumers at a fast pace. By integrating product development, operations, and supply chain management efforts, we can promptly iterate and innovate products based on market trends and consumer feedback, ensuring timely responses to market shifts. This agility ensures that we can bring new products from concept to market within 30 days when development of new molds is not required, significantly outpacing the industry average according to the CIC Report. In addition, continuous sales monitoring and product improvements further enhance our ability to adapt to market shifts during product development and successfully launch new products.

3. Strong Industry Know-How and Efficient Supply Chain

We benefit from the valuable experience and industry know-how gained from nearly two decades of producing kitchenware products, particularly through our role as the ODM partner for international brands and retailers. This unique experience has enabled us to effectively manage our supply chain through an asset-light model, where we rely on qualified manufacturing partners for outsourced production to enhance operational efficiency. We prioritize maintaining mutually beneficial relationships with these partners, which in turn leads to improved supply chain efficiency and reduced inventory risks for us. Our collaboration with our manufacturing partners also provides us with the flexibility to procure new products at a lower minimum order quantity prior to a full-scale launch. This represents a key strength for our design-focused brand, enabling us to launch more new products to test market feedback and ensure profitability before placing large orders.

4. *Global Sales Network over Key Online Marketplaces*

We have established a rapidly expanding global sales network with a strategic focus on e-commerce operations. Our strategy includes partnering with leading online marketplaces in major international markets, including China, the United States, Western Europe, Southeast Asia, and Japan to ensure global availability of our products. In China, for instance, we collaborate with online platforms such as Tmall and JD.com, while internationally, we work with Amazon, Walmart, Rakuten, Qoo10, Shopee, Lazada, among others. The scalability of our digital sales channels facilitates our rapid penetration across multiple geographic markets. Since our branded product first entered the international market in 2017, we have expanded our online presence to include a total of 51 self-operated online stores across 22 online marketplaces in 20 geographic markets as of the Latest Practicable Date. This expansion not only enhances our market reach but also provides us with replicable experience in managing online operations in diverse e-commerce environments, laying the foundation for future growth.

5. *Dynamic Inventory Management*

Our inventory management practice involves strategic procurement and stock monitoring and planning, enabling us to align inventory with operational needs through demand forecasting and real-time stock monitoring. As a result, we have achieved a 20 to 40-day inventory turnover without any inventory write-downs during the Track Record Period, significantly enhancing our working capital and cash flow management. Moreover, this agility in inventory management facilitates real-time adjustments across regions based on sales data, ensuring prompt responses to demand fluctuations and market changes.

Our Performance

Benefiting from our rapid growth in online kitchenware markets of various countries and regions, both our revenue and net profit experienced a significant rise during the Track Record Period. Our revenue increased from RMB675.3 million in 2021 to RMB1,583.1 million in 2023, representing a CAGR of 53.1%, of which revenue from our branded business increased at a CAGR of 120.7% from RMB283.3 million in 2021 to RMB1,379.9 million in 2023. Our net profit increased at a CAGR of 173.1% from RMB31.7 million in 2021 to RMB236.5 million in 2023.

The following table sets forth a breakdown of our revenue by business segment and geographical location for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Branded business	**283.3**	**41.9**	**530.7**	**69.1**	**1,379.9**	**87.2**
Mainland China	163.4	24.2	273.5	35.6	322.7	20.4
United States	46.6	6.9	122.2	15.9	740.1	46.8
Asia except Mainland China(1)	62.9	9.3	109.2	14.2	203.6	12.9
Western Europe(2)	5.8	0.9	14.9	1.9	96.8	6.1
Other(3)	4.5	0.7	10.9	1.4	16.7	1.1
ODM business	**392.0**	**58.1**	**237.8**	**30.9**	**203.2**	**12.8**
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**

Notes:

* *Geographic markets are identified by the country or region of the platform where the sales took place.*

(1) Primarily includes Japan, the Philippines, India, Indonesia, Singapore, and Malaysia.

(2) Primarily includes Italy, the United Kingdom, Germany, Spain, and France.

(3) Primarily includes Canada.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and set us apart from our competitors:

Rising global lifestyle brand with a prominent position in the kitchenware market

We are "CAROTE", a rising global lifestyle brand that has become a notable player in the global kitchenware market. Since the inception of our brand in 2016, we have been dedicated to enhancing consumers' culinary experiences by delivering high-quality, innovative, and stylish kitchenware products at affordable prices. Our branded kitchenware products are thoughtfully curated by responding to consumer needs and preferences while balancing core values such as quality, functional innovation, and aesthetic appeal. We aim to promote a refined lifestyle by continuously innovating and introducing "Better for Use" and "Better for Value" products to the market.

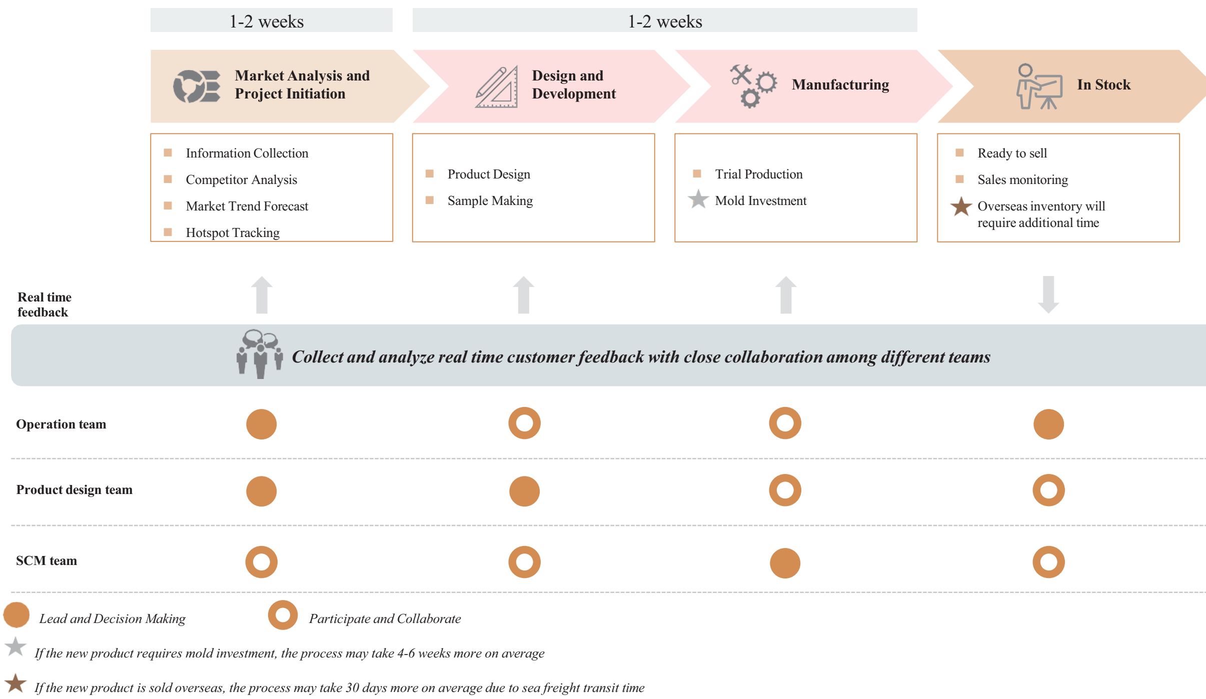
Building on a distinctive business model that combines our extensive industry expertise from years in the kitchenware sector with a dynamic online retail strategy designed for rapid global expansion, our brand have achieved a prominent presence in the online cookware industry across key markets globally, ranking fifth in China, fourth in the United States, second in Southeast Asia, and fifth in Japan in terms of retail sales value in 2022, according to the CIC Report. Particularly, among the top 10 cookware brands on China's Tmall marketplace, we achieved the highest growth rate in retail sales value in 2022. Furthermore, our cookware products have achieved notable success across various sub-categories in both domestic and overseas markets. In terms of sales in 2022, our brand ranked second in the frying pan category and fifth in the wok and saucepan categories on Tmall, as well as a fourth position on Amazon US in cookware set category, according to the CIC Report. Our cookware sets are also regularly featured on Amazon's best-sellers lists.

Our ability to achieve substantial market growth has translated into rapid expansion in terms of revenue and profitability. Our revenue increased from RMB675.3 million in 2021 to RMB1,583.1 million in 2023, representing a CAGR of 53.1%, of which revenue from our branded business increased at a CAGR of 120.7% from RMB283.3 million in 2021 to RMB1,379.9 million in 2023. Our net profit increased at a CAGR of 173.1% from RMB31.7 million in 2021 to RMB236.5 million in 2023.

Unique product development capability and proven track record in introducing innovative products and leading market trends

We aim to predict and capture globally diversified consumer trends, especially among the young generation, who prioritize personal enjoyment with kitchenware that enhances their lifestyles beyond practical functions. To differentiate ourselves in the kitchenware industry, we are committed to offering innovative, top-quality, aesthetically appealing, and user-friendly products to meet these evolving trends.

Our nearly two decades of experience in the kitchenware industry has shape our product development capabilities in delivering products that resonate with consumers. Specifically, as illustrated by the diagram below, our collaborative approach to product development effectively integrate our design team with our operation and supply chain management (SCM) teams to form a collective effort.



At each stage of the development process, one or two teams assume this lead role, while the others provide active support and input, leveraging their firsthand experience and observations of the industry. Every team member participates and contributes to a collective effort. This collaborative process encourages efficient internal communication and agile decision-making, positioning us favorably to keep up with the rapidly changing industry landscape.

Furthermore, distinguishing us from many traditional kitchenware brands, our online DTC operational model provided us profound insights into customer preferences and emerging market trends from online channels, allowing us to meet evolving consumer needs for practical and innovative kitchenware promptly. Our ability to bring new products from concept to market within 30 days when development of new molds is not required significantly outpaces the industry average according to the CIC Report. This agility enables us to quickly respond to market shifts and establish first-mover advantage.

Leveraging our robust product development process and insights from our distinctive online DTC model, rapid product iteration has been at the heart of our business, through which we aim to offer various options to our customers and drive product innovation. We launched 520, 1,305, and 1,374 SKUs of new products, including six, seven, and nine collections of cookware, in 2021, 2022 and 2023, respectively, spanning major sub-categories in the online kitchenware market. Beyond our primary cookware offerings, we have diversified our product range to include drinkware, kitchen utensils, tableware, and kitchen appliances, with an aim to providing a comprehensive solution for dining, cooking, and daily living needs.

Going beyond speed to market with rapid product updates, our products offer innovative features that have become popular in the market. For instance, we were among the first in China to introduce non-stick granite cookware that combines the aesthetic appeal of natural stones and the functional benefits of die-cast aluminum, such as excellent heat conductivity and minimal deformation. This innovative feature offers consumers both visual pleasure and practical utility. Our granite non-stick cookware series has become one of the best-selling cookware in terms of retail sales on China's Tmall marketplace according to the CIC Report. In addition, our detachable handle series, designed for easy maneuvering and one-hand detachability, significantly improve product usability and address consumer demands for easy storage innovatively. Initially launched in Japan, this series has since been introduced to various markets and have been well received by our customers.

Global online DTC retail model with direct consumer engagement and scalability over key international e-commerce platforms

Since launching our brand in 2016, we have focused on maintaining a strong online presence and direct engagement with customers to meet the preferences of the younger generation. By partnering with leading online marketplaces across key global markets, including, among others, Tmall and JD.com in China, Amazon in the United States and Europe, Rakuten and Qoo10 in Japan, as well as Shopee and Lazada in Southeast Asia, we ensure our products are easily accessible to a vast global consumer base through our self-operated stores on these platforms. This direct accessibility and focus on young online shoppers has driven our rapid growth and success in multiple online kitchenware markets.

Our scalable online DTC retail model has enabled rapid global expansion at relatively low costs. Since our branded product first entered the international market in 2017, we have expanded our online presence to include a total of 51 self-operated online stores across 22 online marketplaces in 20 geographic markets as of the Latest Practicable Date. Moreover, our expansion efforts have enabled us to accumulate valuable knowhow for managing e-commerce operation in diverse business environments, and we expect our growing global sales network will continue to strengthen this expertise for future growth.

Our unique position as an online retail brand, driven by a DTC model, allows us to effectively leverage customer insights directly into our product enhancement and iteration. Our in-house customer service team, which sets us apart from many of our competitors who rely on outsourced support, actively collects feedback through online channels, including social media, email and live chat. In 2023, our in-house customer service team has engaged in over 15 million such customer interactions. This direct communication with customers extends beyond mere sales data analysis, providing us with deeper insights into their preferences. By analyzing their emotions, tone, and diction expressed in these interactions, we turn these insights into actionable ideas for product enhancement and innovation.

Furthermore, our online operational model enhances our marketing efforts and contributes to increased brand awareness. By monitoring key operational indicators, such as repurchase rate, purchasing patterns, and product pages views, we can develop informed marketing strategies that enable us to effectively promote our products, for example, by highlighting features that are more likely to resonate with consumers.

Flexible asset-light supply chain model that drives product innovation and efficient cost control

With nearly two decades of experience in the kitchenware industry, we have acquired vital industry know-how and a deep understanding of supply chain management. Leveraging this experience, coupled with China's position as a global kitchenware manufacturing hub, we have established an efficient supply chain that has been crucial for the development of our own brand. In particular, our supply chain enables us to consistently deliver high-quality products with advanced features while reducing overall operational costs through outsourcing production to qualified contract manufacturers. We believe this combination of industry expertise and an effective supply chain presents a unique challenge for competitors to replicate.

Our asset-light model reduces capital investment in factories and machinery for production. This allows us to focus on brand development and product research, while maintaining healthy liquidity levels. For instance, as our business continued to grow rapidly during the Track Record Period, we have been able to improve our liquidity ratio, calculated as current assets divided by current liabilities, from 71.3% as of December 31, 2021 to 129.2% as of December 31, 2023. During the Track Record Period, as our sales expanded and our relationships with suppliers deepened, our cost control capability continued to improve. In 2021, 2022 and 2023, the gross profit margin of our branded business amounted to 37.6%, 45.9% and 39.2%, respectively.

We maintain mutually beneficial relationships with our manufacturing partners, often being their largest customer. We collaborate with them in areas such as product development and manufacturing, which contribute to our production stability and keeps us informed of industry trends. During the manufacturing process, we share our industry know-how and product molds with our manufacturing partners, working closely with them to enhance their manufacturing procession and efficiency. This collaborative process enhances their technical capabilities while positioning us favorably to deliver consistent quality to our customers at the same time. Additionally, our strategic relationships with our manufacturing partners allow us to place lower minimum order quantities before a full-scale launch, effectively reducing inventory risks and enhancing operational flexibility.

Furthermore, our supply chain has been proficient in adopting advanced manufacturing techniques, contributing to our efficient cost controls and enabling our products to incorporate advanced features. For example, our manufacturing partners are experienced in the die-casting technique for manufacturing our non-stick cookware, which offers distinct advantages, including improved heat conductivity, lightness and durability, compared to cookware manufactured using a traditional stretching process. By leveraging their expertise and collaborating closely with them to refine the die-casting process, we have been able to specialize in non-stick cookware and have achieved notable reductions in defect rates and realized benefits in costs control. According to the CIC Report, the pricing of our non-stick pan is 24.0% and 50.9% lower than that of the other top five players in the same category on Amazon US and Tmall, respectively, giving us a notable price advantage.

Additionally, as an integral part of our supply chain, we have established efficient logistics and inventory management operations. See "— Our Supply Chain — Inventory Management" for details. We engage with reliable delivery service providers, leveraging services such as Amazon's "Fulfillment by Amazon" (FBA), to ensure prompt global delivery of products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay in product delivery to customers. Moreover, our collaboration with warehousing service providers enables us to reduce investment in our own warehouses and related staff, particularly for the overseas markets, effectively enhancing our operational efficiency and cost control. During the Track Record Period, we have achieved an average inventory turnover of 20 to 40-day for our branded business.

Passionate management with global vision and vibrant corporate culture

Our founding team, well versed in the kitchenware industry, brings a wealth of industry experience and insights. They understand the nuanced needs of consumers, especially the younger generation, and offer a unique global perspective. Our founder, Mr. Zhang, in particular, possesses an in-depth appreciation of the demands for kitchenware and household goods in the international markets. This allows him to anticipate and respond to emerging global trends. In addition, coming from a family deeply engaged in the kitchenware industry, he has been endowed with extensive experience in manufacturing and supply chain management. By effectively combining their global perspective with industry experience, our founding team successfully steered our transition to our branded business with an online-centric operational model. Their vision and leadership have been crucial in shaping and executing our strategy to expand into multiple overseas markets.

We have fostered a vibrant corporate culture that reflects our core values. Our management and staff teams are young and dynamic, with individuals from diverse backgrounds such as manufacturing, consumer goods, and the internet. The diversity of perspectives not only enhance our operations but also spurs innovation. In addition, our product development and operation teams across global regions consist of innovative young minds who are instrumental in driving our product innovation and strategy execution. By adopting a flat management structure, our organization promotes an environment where these young individuals are encouraged to freely share their opinions, fostering a healthy atmosphere within the company. We have also established a training program to encourage passionate and dedicated employees to take up management roles in different streams, which will shape them into the future backbone of the company. As of the Latest Practicable Date, our employees' average age is approximately 32 years, while our management team brings an average eight years of relevant industry experience. This combination of seasoned expertise and fresh viewpoints positions us favorably to navigate the evolving landscape of our industry.

OUR STRATEGIES

Our mission is to create a refined lifestyle for everyone to enjoy cooking and dining time at home with high-quality products. We aim to realize our mission by pursuing the following strategies:

Continuing product iteration, innovation in features and design and expansion into household goods

We are dedicated to expanding our product range through continuous iteration, innovation and venture into new categories, adapting to the dynamic needs of global consumers. Our vision is to provide integrated, scenario-based solutions for kitchen and dining needs, extending our offerings into the broader home and living sectors with distinct brand differentiation from our competitors.

In the core cookware category, we aim to cater to specific culinary needs by introducing a broader selection of specialized cookware, centered around the concept of "specialized pots for specialized uses". We also plan to launch more versatile products, such as multipurpose pots, to address consumer demands for convenience, easy storage, and multifunctionality. Additionally, recognizing the importance of design preferences, especially among younger consumers, we are committed to consistently creating visually appealing cookware products. To this end, we will introduce various series of products featuring unified and stylish designs, aimed at elevating the kitchen experience and inspiring a passion for cooking and home life.

Furthermore, we plan to further diversify our product offering. Through conducting market research across various consumer demographics and age groups, we aim to gain a better understanding of their lifestyles and consumption patterns. Leveraging insights into consumer needs, we intend to broaden our comprehensive range of kitchenware, particularly for the international markets. This will include expanding our series of knives and drinkware and introducing a variety of small kitchenware appliances.

To realize our product strategy, we will establish dedicated teams of research and product development professionals with the necessary expertise. We will also implement a category-based management approach for our core product categories to ensure focused attention on each category. Furthermore, we will increase our investments in product development to enhance the practical features of our products and support our efforts in product iteration and innovation.

Continuously expanding global reach and enhancing brand recognition worldwide

As part of our strategic vision to establish ourselves as a global entity, we are committed to consistently promoting our brand worldwide. Our operations in our branded business extend across 20 geographic markets worldwide, including China, United States, Southeast Asia, Japan, India, and Western Europe, notably Germany, France, Spain, and Italy. To align with our goal to expand our global reach and cover all major markets, we aim to further enhance our presence in these key markets, particularly in Western Europe, leveraging our established marketing positions. In addition, we plan to explore opportunities in additional markets, such as Eastern Europe, South America, and Australia. We seek to increase our brand visibility in these markets through partnerships with strategic online channels and local entities.

In furthering our global footprint, we will primarily focus on consolidating our presence in existing online sales channels, particularly aiming to enhance our online market share in key markets such as China, the United States, and Southeast Asia, by collaborating with more online platforms to reach new customer demographics. In addition, we plan to make further investments in our dedicated brand website, complemented by targeted marketing campaigns on international social media platforms. These online initiatives are expected to boost our brand awareness globally and enable us to communicate our value propositions through attractive content.

Concurrently, we seek to selectively penetrate offline sales channels to complement our online operations. In the future, we intend to expand our offline footprint by exploring partnerships with other prominent international distributors or retailers, who can provide local insights and resources to facilitate our access to a diverse offline customer base.

We believe that our multi-pronged approach will significantly contribute to our ability to reach a wider global audience and enhance our brand's international recognition.

Enhancing organizational structure and supply chain for global expansion

As we advance our global strategy, we are committed to refining our organizational structure to better maintain ties across different markets and addressing our growing business needs. Our headquarters will serve as the central hub for product development and strategic oversight, focusing on management related to product line evolution, global operations, and sales channel expansion. To more effectively manage our international presence, we intend to introduce a regional management system in our key overseas markets. This system will grant our regional teams with decision-making authority in specialized functions such as supply chain management, business development, and customer service. This operational autonomy aims to ensure operational decisions are closely aligned with local market conditions, thereby enhancing our ability to promptly respond to market trends and make better region-specific decisions.

To support this structural evolution, we will enhance training programs and optimize internal communication processes. These measures are designed to enable our frontline teams in various markets to quickly identify, share, and use vital market insights, collaborating and forming synergy with our headquarters in matters such as product development and iteration. Such a collaborative approach has been pivotal to our global expansion efforts. We believe that refining our organizational structure will lead to more efficient use of our management resources and contribute to cost reductions as we continue to grow.

Furthermore, we intend to adopt a comprehensive approach to ensure a robust and resilient supply chain network. Central to this strategy is the diversification of our supply chain. We intend to engage with more suppliers globally, particularly in regions such as India and Vietnam, which are noted for their rising and stable supply chain capabilities. This diversification aims to mitigate the risk of unexpected disruption to our operations. In addition, we will expand our supply chain management team to support business growth and cost control efforts, recruiting seasoned professionals with expertise in managing the supply chains for new product categories, such as kitchen appliances, to further enhance our supply chain management capabilities. We believe these measures will mitigate supply chain-related risks as we pursue our global expansion, ensuring we have a resilient operation to achieve our strategic objectives.

Empowering global talent acquisition and development

Our most valuable assets are talents with outstanding professional skills and a global perspective. They are the driving force behind our ability to deliver innovative products to our customers. To realize our vision of becoming a leading global brand retailer in the kitchenware and household goods industries, we are committed to continually refining our corporate culture to attract talents who share our global vision. We will increase our investment in training and talent development system. Our training program will include onboarding, corporate culture, technical proficiency, and external institutional training, all of which are aimed at elevating employee competence. Furthermore, we will provide employees with opportunities in frontline roles through initiatives such as rotation programs and mentorships. These initiatives are expected to enable them to gain deeper insights into vital business functions such as production, research and development, operations, marketing, strategy, and customer development. Our plans also encompass the establishment of a systematic global management trainee program designed to cultivate future managerial talents and all rounded future leaders for us.

Building a multi-brand portfolio through investment and acquisitions

We are dedicated to building a diversified portfolio of kitchenware and household goods brands through strategic investments and acquisitions. We believe this will allow us to efficiently expand our product categories, creating synergies across our supply chain and sales channels, while leveraging the strengths of our established business model. To realize this vision, we plan to selectively pursue investments or acquisitions with both domestic and international kitchenware and household goods brands. Our focus will center on identifying targets that align with our overall business strategies and meet specific criteria, including brand history, product offerings, sales channels, innovative capabilities and potential for further development. Specifically, we aim to target high-end cookware brands with a long-standing reputation in the international markets. Additionally, we will focus on kitchenware and household goods brands that offer products beyond cookware and demonstrate strong potential for growth and innovation in kitchenware and dining categories. See "Future Plans and **[REDACTED]**" for details. By enriching our product and brand portfolio, we aim to provide consumers with a comprehensive one-stop solution for all their kitchenware and household goods needs.

OUR BUSINESS

The progression of our business reflects a strategic evolution aligned with market demands and a commitment to delivering better products.

Headquartered in Hangzhou, China, our journey began in 2007 when Zhejiang Carote, one of our major subsidiaries, was founded. Initially, we engaged primarily in providing OEM services for overseas brands. In 2013, recognizing the market demands, we pivoted to focus on developing our ODM business, where we engaged in designing, developing, and manufacturing customized kitchenware products to international brand-owners and retailers.

Leveraging the expertise and critical insights into consumer preferences gained through our ODM business, in 2016, we strategically ventured into the online retail sector by introducing kitchenware products under our own brand name, "CAROTE". This initiative represented a significant milestone, enabling us to directly offer products that reflect our understanding of market needs, characterized by innovation, direct customer engagement, and value for money. This strategic move quickly positioned us as a trusted provider of high-quality and innovative kitchenware products.

As our branded business continued to expand, we made another strategic transition concerning our production. While we previously relied on a combination of outsourced manufacturing by qualified manufacturing partners and in-house production, we transitioned to a fully outsourced, asset-light model from February 2022 to meet the rising demands for greater production capacity and efficiency.

During the Track Record Period and up to the Latest Practicable Date, we operated both the ODM business and branded business, with the latter being our strategic focus for future growth and development. As a result of our expansion efforts, our branded business achieved rapid growth during the Track Record Period, with revenue for this segment increasing substantially from RMB283.3 million in 2021 to RMB1,379.9 million in 2023 at a CAGR of 120.7%.

The following table sets forth a breakdown of our total revenue by business segment for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Branded business	283.3	41.9	530.7	69.1	1,379.9	87.2
ODM business	392.0	58.1	237.8	30.9	203.2	12.8
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*
Branded business	106.5	37.6	243.7	45.9	541.1	39.2
ODM business	20.0	5.1	31.6	13.3	24.0	11.8
Total / Overall	**126.5**	**18.7**	**275.3**	**35.8**	**565.1**	**35.7**

Branded Business

We offer an extensive selection of kitchenware products under our own brand name, "CAROTE", designed to meet the varied needs of customers worldwide. Leveraging our extensive experience in the kitchenware industry and consumer insights, we regularly roll out new products that respond to changing customer needs. In 2021, 2022 and 2023, we launched 520, 1,305, and 1,374 SKUs of our own-branded products, respectively. As of the Latest Practicable Date, our portfolio includes a diverse range of over 1,800 SKUs of branded products widely accessible to retail consumers across the globe via leading online platforms.

Our branded business primarily focuses on online sales. We have strategically established sales channels on prominent online marketplaces across various geographic markets worldwide, including Tmall, JD.com and Douyin in China, as well as Amazon, Rakuten, Qoo10, Shopee, Lazada, and others abroad. We operate our own online stores on these marketplaces, providing customers with convenience to explore and purchase our offerings at any time and from anywhere. This strategy has significantly accelerated the growth of our international footprint and customer base since the launch of our brand. See "— Sales and Marketing — Our Retail Network". Furthermore, direct engagement with customers through these marketplaces is a key aspect of our business model. It enables us to quickly respond to their needs and preferences, facilitating our product enhancement and innovation efforts through valuable customer insights.

We have established our brand as a key player in China's online kitchenware market. In 2022, according to the CIC Report, we achieved the highest year-on-year growth rate in retail sales among the top 10 cookware brands on China's Tmall marketplace. Revenue from Mainland China, our domestic market, grew consistently during the Track Record Period, rising by 67.4% from RMB163.4 million in 2021 to RMB273.5 million in 2022, which further increased by 18.0% to RMB322.7 million in 2023.

Additionally, our branded business has made significant expansion into international markets, operating on online marketplaces across 20 geographic markets globally as of the Latest Practicable Date. Revenue from markets outside of Mainland China increased from RMB119.8 million in 2021 to RMB1,057.2 million in 2023. This robust growth in overseas markets has been crucial in driving our overall revenue growth, with revenue from overseas markets contributing 42.3%, 48.5%, and 76.6% of our total revenue from branded business in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our revenue from branded business by geographic region for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Mainland China	163.4	57.7	273.5	51.5	322.7	23.4
United States	46.6	16.5	122.2	23.0	740.1	53.6
Asia except Mainland China[(1)]	62.9	22.2	109.2	20.6	203.6	14.8
Western Europe[(2)]	5.8	2.0	14.9	2.8	96.8	7.0
Others[(3)]	4.6	1.6	10.9	2.1	16.7	1.2
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**

Notes:

* *Geographic markets are identified by the country or region of the platform where the sales took place.*

(1) Primarily includes Japan, the Philippines, India, Indonesia, Singapore, and Malaysia.

(2) Primarily includes Italy, the United Kingdom, Germany, Spain, and France.

(3) Primarily includes Canada.

ODM Business

Our ODM business focus on the supply of customized cookware products tailored to the requirements and specifications of our ODM customers. These customers market and sell products sourced from us under their own brand names and distribution networks.

We offer our ODM customers a one-stop solution for customized product design, development, and manufacturing. We engage closely with our ODM customers to understand their vision and requirements for the end products. We then transform their inputs into tangible product designs and prototypes. After the product design and prototype are approved by our ODM customers, we engage qualified suppliers to manufacture the designed products. Upon completion of the manufacturing process, we manage the logistics and delivery of the finished products to the agreed-upon port for shipment to our customers.

Our main clients include international kitchenware brands in Europe and Southeast Asia. Over the years, we have built long-term business relationships with our major ODM customers, with our collaboration with each of our five largest ODM customer during the Track Record Period spanning over six years.

During the Track Record Period, revenue from our five largest ODM customer contributed over 90% of the total revenue from our ODM business each year. Specifically, in 2021, 2022 and 2023, revenue from our five largest ODM customers was RMB374.1 million, RMB224.2 million, and RMB186.5 million, respectively, representing 95.4%, 94.3%, and 91.8% of our total revenue from ODM business, respectively. In the future, in line with our overarching strategy to focus on our branded business, we aim to maintain the current state of our ODM operations and our existing relationships with key ODM customers.

OUR PRODUCTS

We offer a wide range of kitchenware products to consumers. Our products are designed to be not only of high quality and functional but also affordable and aesthetically appealing. From essential pots and pans to elegant tableware and beverage containers, our offerings aim to meet the varied needs of different kitchen scenarios and enhance the culinary and dining experience of our customers.

We regularly refresh our lineup with new and improved products to keep our customers engaged. In 2021, 2022 and 2023, we launched 520, 1,305, and 1,374 SKUs of our own-branded products, respectively, consistently expanding our product range to meet the evolving preferences of our customers. As of the Latest Practicable Date, our product portfolio consisted of over 1,800 SKUs across different kitchenware categories, including cookware, kitchen utensils, drinkware, among others.

- *Cookware.* This category includes a wide range of products, such as non-stick pots and pans, cast iron pots, and our curated cookware sets, all designed to meet various cooking needs.

- *Kitchen utensils.* Our selection of kitchen utensils covers an extensive array of items, including kitchen organizers, containers, knives, cutting boards, spatulas, and ladles, among others, providing essential tools for efficient food preparation.

- *Drinkware.* Our drinkware collection features a variety of products, including water containers, glasses, and mugs, providing options for hydration and beverage enjoyment.

- *Others.* We also offer a selection of tableware and small kitchen appliances, such as air fryers and electronic cooking pots, designed to further enrich the culinary experience.

The following table sets forth a breakdown of our total revenue from branded business by product category for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Branded business						
Cookware	244.7	86.4	444.6	83.8	1,237.7	89.7
Kitchen utensils	30.6	10.8	64.9	12.2	90.4	6.6
Drinkware	0.5	0.2	12.5	2.4	47.4	3.4
Others[(1)]	7.5	2.6	8.7	1.6	4.4	0.3
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**

Note:

(1) Primarily includes revenue from sales of tableware and small kitchen appliances.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*
Branded business						
Cookware	92.8	37.9	203.3	45.7	481.0	38.9
Kitchen utensils	12.2	39.7	34.1	52.6	42.3	46.8
Drinkware	0.2	47.0	4.8	38.5	16.8	35.3
Others[(1)]	1.4	17.8	1.5	16.0	1.0	23.3

Note:

(1) Primarily includes tableware and small kitchen appliances.

Cookware

Cookware is a core offering in our product lineups, catering to the diverse cooking needs and preferences of customers worldwide. From innovative non-stick frying pans to versatile saucepans and stockpots, each item in our cookware collection is designed to enhance the culinary experience of our customers by being practical, visually appealing and offering good value. For instance, our granite non-stick cookware series has become one of the best-selling cookware in terms of retail sales on China's Tmall marketplace, according to the CIC Report.

In addition, our cookware incorporates technical features that enhance performance and cooking experience. Our core non-stick cookware series highlights the advantages of our coatings. These coatings promote healthier cooking and offer the convenience of easy maintenance and an extended lifespan. Moreover, we use die-cast technique to capitalize on its advantages in the manufacturing of high-performance cookware. Our die-casting process ensures that the cookware possesses a thick, even, and smooth body. This not only resists deformation, maintaining its shape and integrity over time, but also promotes excellent heat conductivity and retention for efficient and energy-saving cooking. Additionally, our non-stick cookware is primarily made using die-cast aluminum, known for its exceptional heat conductivity and retention. The lightweight nature of aluminum, combined with its superior adhesion properties for non-stick coatings, enhances performance and cooking experience.

In 2021, 2022 and 2023, we launched 193, 172, and 444 SKUs of cookware, respectively. Our revenue from cookware increased from RMB244.7 million for 2021 to RMB1,237.7 million for 2023 at a CAGR of 124.9%.

Set forth below is a selection of our cookware collection, featuring various product series along with their sample photos and distinctive features, as well as the markets in which they are available:

Year of Launch	Product Series		Product Features	Price Range*	Major Markets
November 2016	Essential Woody		• Italian-inspired design • Combination of colored granite stone in the coating and wood grain elements • Emphasis on natural and organic concept • Innovative and unconventional shape • Durable and high-performance coating	RMB699–1,039/ US$59.99–89.99/ EUR89.99–129.99 per set	China, Western Europe, North America
July 2021	Cosy		• Authentic and classic Japanese design • Original cylindrical handle for a unique touch • Simplicity in design, bringing a sense of joy to everyday life • Durable and high-performance coating	RMB168–208/ US$64.99–129.99/ EUR99.99–129.99/ JPY3,680–7,980 per set	China, Asia, Western Europe, North America

Year of Launch	Product Series		Product Features	Price Range*	Major Markets
July 2021	Ice Cream		• Merging classic design of Essential Woody series with innovative updates • Refined aesthetics of light-colored non-stick cookware • Unmatched visual appeal of the cookware design • Durable and high-performance coating	RMB129–429/ US$79.99–149.99/ EUR89.99–129.99 per set	China, Asia, Western Europe, North America
February 2022	Eight Mile Place		• Removable handles for convenient storage and space-saving kitchen organization • Lightweight design for easy handling and maneuverability • Sleek and modern appearance adds an elegant touch to any kitchen • Durable and high-performance coating	RMB139–289/ US$39.99–129.99/ EUR59.99–119.99/ JPY5,380–13,980 per set	China, Asia, Western Europe, North America
October 2022	Little Bean		• Thickened handle for a comfortable grip • Visible tempered glass lid • Multipurpose design: suitable as a soup pot and for oven cooking • Increased and deepened capacity for easier stir-frying • Durable and high-performance coating	RMB149–379 per set	China

Year of Launch	Product Series		Product Features	Price Range*	Major Markets
November 2023	Paris		• Ceramic-coated base with a full spray coating process • One-piece pot body construction • Elevated pot design to prevent boil-overs • Lightweight and easy to handle with one hand • Durable and high-performance coating	RMB119–469/ US$99.99–119.99/ EUR99.99–129.99 per set	China, Asia, Western Europe, North America

* The price range varies as the composition of our cookware sets varies across different markets due to differing market conditions.

Kitchen Utensils

Complementary to our cookware, we offer a wide range of kitchen utensils to cater to various cooking and food preparation needs. Our selection includes kitchen organizers, containers, knives, cutting boards, spatulas, ladles, and more, providing the necessary tools for efficient food preparation. In 2021, 2022 and 2023, we launched 275, 801, and 529 SKUs of kitchen utensil, respectively. Our revenue from kitchen utensils increased from RMB30.6 million in 2021 to RMB90.4 million in 2023 at a CAGR of 71.9%.

Below are sample photos of our kitchen utensils:

Drinkware

As a notable addition to our product lines, our drinkware collection offers a diverse selection, ranging from practical water containers, such as insulated bottles, to stylish glasses and coffee mugs. All these items feature trendy designs that convey aesthetic appeal to our customers. This comprehensive lineup caters to a variety of preferences and occasions, ensuring that our customers have drinkware options to suit their needs. Since the introduction of our drinkware line in September 2021, its growth has been significant, with 41, 322, and 342 SKUs of drinkware launched in 2021, 2022 and 2023, respectively. As of the Latest Practicable Date, our portfolio includes 18 drinkware products that have achieved cumulative sales exceeding RMB1 million. In 2022, the first full financial year since its introduction, our revenue from drinkware was RMB12.5 million, which increased to RMB47.4 million in 2023 at a CAGR of 94.7%.

Below are sample photos of our drinkware products:

PRODUCT DESIGN AND DEVELOPMENT

Design and Development Capabilities

With an operating history spanning nearly two decades, we have developed and refined our capabilities in product design and development. Our extensive experience in the kitchenware industry, including collaborations with key ODM customers, have provided us with valuable insights into understanding consumer needs and translating them into innovative product designs. This expertise contributes to our ability to create products that resonate with our customers.

To support our product design exercise, we have established a dedicated in-house design team. Comprising skilled and experienced designers, our product design team plays a pivotal role in bringing our product visions to life. As of the Latest Practicable Date, our product design team consists of eight staff members, who bring years of relevant experience in kitchenware design and development.

We are committed to the continued enhancement of our product design and development capabilities. In line with this commitment, our R&D expenses amounted to RMB18.1 million, RMB20.8 million, and RMB35.9 million in 2021, 2022 and 2023, respectively.

Aesthetic and Localized Designs

We are dedicated to creating products that are not only functional but also delight our customers with visually appealing designs. We believe that this focus on aesthetics is a key factor in the broad popularity of our products.

In addition to aesthetic designs, we prioritize understanding and addressing the unique needs of local customers and the culinary cultures prevalent in the markets where we operate. Our product designers conduct in-depth research into the dietary habits and product references of consumers in various regions worldwide. This customer-centric approach allows us to continuously improve our current designs or create new ones that resonate with customers, contributing to the popularity of our products. For example, in the Japanese market, we considered various factors and practical considerations specific to Japanese consumers, and developed a set of detachable handle non-stick cookware, which has been well received among our Japanese customers due to its ease of storage, lightweight design, and sleek appearance. Similarly, in the U.S., Europe, and Southeast Asia markets, we take into account the unique lifestyles, usage habits, and culinary cultures of these regions, and have made improvements to our frying pans and introduced innovative stir-fry pans. The design of our stir-frying pans features a deeper pan body that caters to the frying methods prevalent in various European and American cuisines, while accommodating the stir-frying habits of Southeast Asian countries.

Product Development Processes

Branded Business

In response to the rapid changes and diverse demands of the industry, we have established a collaborative product development model that brings together our product design, operation and supply chain management teams. Their collaboration covers various stages, from product proposals through design and development to product iterations, with one or two teams leading in decision-making process at each stage while the others actively participate and provide support. For instance, the operation team collects valuable customer feedback and provides insights on product design through market research, monitoring, and analysis of customer data while our product design team translates these inputs into actionable designs through product proposals and detailed design work. Meanwhile, our supply chain management team ensures that the product visions can be realized in the finished products through the manufacturing process. This collective effort ensures us to promptly respond to market developments and introduce product designs that meet the evolving needs and preferences of our customers.

The product development process for our branded business typically goes through the following stages.

Market analysis. We initiate product development process with market research and observation, which includes examining sales data, conducting competitor analysis, forecasting market trend through customer preferences, and obtaining direct feedback from online channels. These activities help us to evaluate market demand and identify potential opportunities.

Project initiation. We leverage our market research findings to develop a comprehensive product configuration plan, which includes packaging solutions tailored to meet the needs and preferences of our target customers. We also conduct cost estimations to ensure the feasibility and competitiveness of our products, considering factors such as materials, manufacturing, and packaging. This allows us to make informed decisions that balance cost efficiency and product quality.

Product design. Once the project initiation stage is complete, our design team begins translating product ideas into tangible designs. It creates detailed design drawings that integrate functional specifications, aesthetic elements, and user experience considerations. Following this, samples are produced, which undergo inspections to ensure the final products meet our standards for quality and performance. If necessary, we make further adjustments to enhance the product design. Concurrently, our packaging team works on designing visually appealing packaging that effectively communicates the value and features of our products.

Manufacturing. After finalizing the product design and receiving internal approval, we advance to the manufacturing phase. This stage is handled by our manufacturer partners, who produce our products according to our specifications and requirements. For some new product developments, we invest in proprietary molds and provide them to our manufacturing partners to ensure better control over the production process. Prior to a full-scale product launch, we typically engage in trial production, which runs concurrently with sales trial in our domestic market, to measure the market response to the products.

Market introduction. Once all preceding stages are completed, typically within a 30-day period when the development of new mold is not required, we procced to launch the product in the market. For the domestic market, we typically ensure the products are in stock within 24 hours after production. Sales performance are closely monitored during the initial stage of market introduction, and we take appropriate measures to address any issues identified, which may include adjustments to our market strategies.

ODM Business

Our product development process begins by actively engaging with our ODM customers to understand their specific needs, requirements, and desired outcomes for the finished products. Through collaborative discussions and analysis of their inputs, such as product ideas, concepts, and preferred raw materials, we work towards transforming their vision into tangible designs and prototypes. We then present the proposed design and pricing to our customers, seeking their feedback and approval. With their input, we proceed to create detailed design drawings, which are shared with the customers for further confirmation and adjustments if needed. Once a product design has been approved, the next stage involves creating prototypes. These prototypes undergo evaluation and quality checks, including a sample review process where we send them to our ODM customers for their assessment and feedback. If needed, we make necessary optimizations and adjustments to meet the customers' requirements, incorporating their suggestions into the final design. After the design and prototype have been refined and approved by our ODM customers, we move forward with the manufacturing process through our contract manufacturers.

OUR SUPPLY CHAIN

We have established a robust supply chain that ensures the consistent delivery of high-quality products efficiently. During the Track Record Period and up to the Latest Practicable Date, we have engaged with over 500 suppliers to source our products, all of which are based in China. This enables us to leverage China's highly efficient and robust supply chain capabilities, known for its scale and effectiveness.

Our Suppliers

Our suppliers primarily consist of our contract manufacturers, all of which are located in China, reflecting our strategic choice to completely outsource our production to third parties. During the Track Record Period and up to the Latest Practicable Date, we have sourced from over 500 contract manufacturers to produce our products.

In addition to our contract manufacturers, our suppliers also include (i) online e-commerce platforms, which provide services ancillary to the operation and management of our online stores, (ii) manufacturers of coating and packaging materials, and (iii) third-party service providers for warehousing, logistics and other services.

Screening of Product Suppliers

In the process of screening product suppliers, we carefully evaluate several key factors, including their experience in contract manufacturing, equipment and production capacity, product quality, reputation, and competitive advantages over other potential suppliers. Leveraging our industry experience and know-how, we have implemented a stringent process for selecting and screening our suppliers. Apart from requesting and reviewing all necessary licenses and permits, an integral part of this process is conducting onsite inspections. Our representatives perform thorough factory inspections to verify that the suppliers maintain the quality standards we demand. Only those suppliers that have passed our onsite inspections are considered for engagement. Additionally, in certain cases, we place trial orders with potential suppliers to further test the quality of their work and fully assess their capabilities before finalizing any engagement.

Procurement Management

Our procurement practice is both flexible and efficient. Instead of entering into fixed-term supply contracts, we place individual purchase orders with contract manufacturers for each product we develop, whether for our ODM customers or as part of our own-branded product line. This approach provides us to tailor our purchases to immediate needs, effectively reducing our inventory-related risk.

Our procurement practice is supported by our sales forecasts. We engage in regular communication with our contract manufacturers to keep them updated on our sales forecasts. This close collaboration ensures that they are prepared to meet our immediate sales needs. In turn, they promptly notify us of any potential capacity constraints, allowing us to adjust our procurement plans well in advance. Such proactive communication enables us to maintain efficient procurement and effectively avoid production shortages.

During the Track Record Period, we did not experience any material shortages or significant delays in the supplies from our contract manufacturers.

General Terms with Contract Manufacturers

We entered into standard purchase agreement with our contract manufacturers, which contains the following major terms:

- *Product specifications:* Our contracts outline detailed specifications such as product weight, quantity, unit price, base design, handle design, and packaging methods.

- *Materials requirement:* Our contracts specify the materials and coatings that are used to deliver the designed performance. We directly procure the coatings and ship them to our suppliers.

- *Product delivery:* Our contracts include terms that ensure our contract manufacturers to follow our delivery instructions, including the specified time and location.

- *Quality control:* We require our contract manufacturers to provide pre-production samples for approval and allow us to conduct inspections before the final packaging of the products. Should any product fail our inspections, the contract manufacturer will bear the cost associated with retesting.

- *Payment terms:* Payment to our contract manufacturers is typically settled through bank remittance within 30 to 60 days following the shipment date. Contract manufacturers are required to issue a value-added tax invoice within 15 days post-shipment. If the invoice is not received on time, the payment deadline for us will be extended accordingly.

- *Breach of contract:* Our contracts include provisions for breach of contract. If the contract manufacturer causes a delay in delivery due to their own reasons, a daily penalty of 0.3% of the contract amount will be imposed for up to seven days. If the delay exceeds 10 days, we have the right to terminate the contract.

- *Confidentiality:* Contract manufacturers are obligated to comply with the confidentiality requirements and the specified obligations to maintain the integrity of our proprietary rights, including those relating to our trademark, molds, and product and package design.

Production Management

During part of the Track Record Period, specifically before February 2022, we relied primarily on third-party contract manufacturers for our production, with the remaining needs met by our in-house production facilities located in Yongkang, China. Our rapid growth during the Track Record Period led to a significantly increased demand for production capacity. In response to this challenge, we strategically transitioned to a fully outsourced and asset-light business model from February 2022, entrusting all production responsibilities to qualified independent third-party contract manufacturers. We believe this asset-light approach enables us to leverage their expertise and capabilities to meet our expanding production needs efficiently.

Under this outsourcing model, except for cookware coatings, other raw materials needed for production are sourced directly by our contract manufacturers. Once the production process is complete, they deliver the finished products either directly to our customers or to our warehouses in accordance with our instructions. We conduct quality control checks to ensure that the products meet our stringent standards before they are made available to our customers. See "— Quality Management".

Relationships with Manufacturing Partners

We place great importance on establishing and maintaining mutually beneficial relationships with our contract manufacturers to ensure consistently high-quality manufacturing and reliable operations. Our contract manufacturers are primarily located in Yongkang, China, which is known for its manufacturing capabilities for metal goods. We have based our supply chain there since the time we manufactured products ourselves and possess a deep understanding of the local manufacturing landscape. This knowledge enables us to effectively select our manufacturing partners who meet our standards. Our in-depth understanding of Yongkang's manufacturing capabilities is also crucial for building strong mutual relationships with our manufacturing partners. We share our production know-how and product molds with them, which not only enhances their technical capabilities through improved production efficiency and reduces defect rates, but also allows us to realize cost benefits and further strengthen our cooperations.

Engagement of Contract Manufacturers

Our strategy typically involves collaborating with multiple contract manufacturers for each main product category. For instance, in the case of cookware products, it is common practice for us to engage two to three different contract manufacturers at the same time for difference series. This approach ensures that we maintain sufficient production capacity while mitigating the risk of potential performance issues associated with a single supplier. Moreover, while we have developed stable partnerships with certain contract manufacturers who have consistently met our performance standards, we also retain the flexibility to consider alternative suppliers as necessary. This adaptability is crucial for us to respond effectively to market changes and ensure a reliable supply of our products.

Inventory Management

Efficient inventory management is fundamental to operational strategy. A key aspect of this efficiency is our flexible procurement practices. Instead of committing to one-off bulk purchases, we adopt a strategy of frequent purchases and continuous monitoring of our inventory levels to ensure timely replenishment. This flexibility allows us to maintain a stock level that aligns with our production cycles, and is instrumental in avoiding excessive inventory buildup, mitigating inventory-related risks, and optimizing our working capital. During the Track Record Period, our average inventory turnover days were 17.5 days, 26.9 days, and 27.0 days in 2021, 2022 and 2023, respectively. We did not make any inventory write-downs during the Track Record Period.

Moreover, our efficient inventory management allows us to flexibly adjust inventory allocation across our various markets based on sales performance. This dynamic approach ensures that we can quickly respond to the fluctuating demand and optimize stock levels in real time. For instance, if we find that the sales performance of a product at the initial stage of its launch does not meet our expectation, we can make prompt adjustments, which may include reallocating the product to other markets where it is likely to perform better.

Our efficient inventory management practice is centered on effective demand forecasting and continuous monitoring. We base our procurement plan primarily on our demand forecasts, which are informed by analysis of historical sales data, customer trends, and any relevant market data. In this process, we look for any patterns, seasonal variations, and significant events that might have influenced demand in the past. Our sales team plays a major role in the forecasting process by providing valuable insights and knowledge about market conditions and customer behavior. Based on the demand forecasts and considering the lead time for our purchases, our sales team proposes a procurement plan that undergoes internal evaluation and approval. Once we make our purchases with our suppliers, we closely monitor our real-time inventory levels and make prompt adjustments in subsequent procurement plans, leading to improved accuracy in our future demand forecasts.

Quality Management

Ensuring the highest level of quality for our products is our top priority. To achieve this, we have implemented robust quality control and check measures throughout the production process of our contract manufacturers. These measures, in conjunction with the quality control systems of our contract manufacturers, ensure that our products consistently meet our established standards.

Pre-production check. Prior to the start of production, we conduct pre-production testing on product samples. We preserve these samples as benchmarks for the production run. By carefully examining key performance parameters, we proactively identify any potential issues, ensuring maintenance of our quality standards throughout the manufacturing process.

Production check. During production phase, we regularly conduct random sampling tests to evaluate critical performance metrics and physical characteristics. These tests include non-stick performance, durability, wear resistance, product structure, packaging, and drop tests. Any deviations or irregularities identified are promptly addressed to ensure that the products meet the quality standards we demand.

Post-production check. After the completion of the manufacturing process, our dedicated quality inspection team oversees the post-production acceptance process. Thorough inspections are conducted for the final products to ensure compliance with our quality specifications. These inspections include detailed visual assessments and functional tests to verify overall product quality and performance. By conducting these post-production inspections, we ensure that only products meeting our strict quality criteria are accepted and delivered to our customers.

WAREHOUSES AND LOGISTICS

In China, we operate our own leased warehouse where our suppliers ship the products we have ordered, forming our inventories for our domestic market. As of the Latest Practicable Date, we leased a warehouse located in Yongkang, China. This warehouse, comprising a total GFA of approximately 14,000 square meters, is leased from Zhejiang Leshengen, a company controlled by Mr. Zhang and Ms. Lyu, our Controlling Shareholders. See "Connected Transaction" for details. For orders placed with us through online platforms, we work with third-party logistics service providers to ship products directly to customers. For orders placed via JD.com, we also ship products to its warehouses, where JD.com handles the subsequent delivery to the end customers. When selecting logistics service providers, we consider factors such as service quality, delivery speed, and pricing.

In overseas markets, we primarily ship products to the warehouses of online marketplaces like Amazon, which then handle the last-mile delivery to customers who place orders with us. To a lesser extent, we also work with third-party warehouse providers outside China to stock our inventories for the international markets. Under our service agreement with them, these warehouse providers provide warehousing space for our inventories upon our demand and manage our inventories according to our instructions. As of the Latest Practicable Date, we had 12 such warehouse providers located in United States, Japan, Malaysia, Singapore, Philippines, Indonesia, United Kingdom, Spain, Germany, India, and Canada. To fulfill customer orders, we engage third-party logistics service providers to handle the shipment of products from the warehouses provided by our service providers. When selecting logistics service providers, we prioritize those with experience in Amazon's services and cross-border operations. In 2021, 2022 and 2023, our freight and storage expenses amounted to RMB68.7 million, RMB93.7 million, and RMB268.5 million, respectively.

Our Five Largest Suppliers

In 2021, 2022 and 2023, purchases from our five largest suppliers accounted for 39.8%, 50.3%, and 45.1% of our total purchase, respectively, with purchases from our largest supplier comprising 18.0%, 16.9%, and 18.0% of our total purchase during the same periods, respectively. All of our five largest suppliers during the Track Record Period were Independent Third Parties.

The following table sets out certain details of our five largest suppliers during the Track Record Period.

For the year ended December 31, 2023

Rank	Supplier	Business nature	Products/ services purchased	Approximate transaction amount	% of our total purchase	Credit period and payment method	Relationship since
				(RMB'000)	*(%)*		
1.	Supplier A*[(1)]	Online marketplace operator	Platform and operational services	252,035	18.0	N/A**	2017
2.	Supplier B[(2)]	Manufacturing	Cookware	131,861	9.4	60 days, telegraphic transfer (TT)	2022
3.	Supplier C[(3)]	Manufacturing	Cookware	99,253	7.1	60 days, TT	2021
4.	Supplier D[(4)]	Manufacturing	Cookware	76,128	5.4	60 days, TT	2023
5.	Supplier E[(5)]	Manufacturing	Cookware	71,572	5.1	60 days, TT	2016

For the year ended December 31, 2022

Rank	Supplier	Business nature	Products/service purchased	Approximate transaction amount	% of our total purchase	Credit period and payment method	Relationship since
				(RMB'000)	*(%)*		
1.	Supplier F(6)	Manufacturing	Cookware	110,792	16.9	60 days, TT	2016
2.	Supplier A*(1)	Online marketplace operator	Platform and operational services	62,951	9.6	N/A**	2017
3.	Supplier G*(7)	Online marketplace operator	Platform and operational services	59,306	9.1	N/A**	2016
4.	Supplier C(3)	Manufacturing	Cookware	50,103	9.0	60 days, TT	2021
5.	Supplier D(4)	Manufacturing	Cookware	46,501	7.1	60 days, TT	2022

For the year ended December 31, 2021

Rank	Supplier	Business nature	Products/services purchased	Approximate transaction amount	% of our total purchase	Credit period and payment method	Relationship since
				(RMB'000)	*(%)*		
1.	Supplier F(6)	Manufacturing	Cookware	116,800	18.0	60 days, TT	2016
2.	Supplier H(8)	Manufacturing	Cookware	44,089	6.8	60 days, TT	2019
3.	Supplier I(9)	Manufacturing	Cookware	39,182	6.0	60 days, TT	2021
4.	Supplier A*(1)	Online marketplace operator	Platform and operational services	31,577	4.9	N/A**	2016
5.	Supplier J(10)	Manufacturing	Cookware	26,868	4.1	60 days, TT	2016

Notes:

* Supplier A was also a customer of our Group during the Track Record Period. Supplier A purchased kitchenware products from us for resale to the end-use customers through its online marketplace. We entered this sales arrangement in 2022 as a supplement to our DTC sales. Our revenue from sales through this arrangement was RMB2.4 million and RMB6.9 million in 2022 and 2023, respectively. See "Sales and Marketing — Online Sales Network — Sales Arrangements with Online Marketplaces" for details on sales arrangement under different models.

Supplier G was also a customer of our Group during the Track Record Period. Along with our DTC sales on the marketplace operated by Supplier G, we sent kitchenware products to Supplier G for sale to end-user customers through its online marketplace under a consignment model. Under this model, Supplier G is recognized as a customer in our accounting records. We entered this consignment arrangement in 2018 to expand our sales network and discontinued our consignment sales through Supplier G upon the contract's expiry in 2022 to focus on our DTC sales. Our revenue from sales through this consignment arrangement was RMB6.0 million and RMB1.1 million in 2021 and 2022, respectively. See "Sales and Marketing — Online Sales Network — Sales Arrangements with Online Marketplaces" for details on sales arrangement under different models.

** Service charges and commissions are deducted by the platform from payments received by us from retail customers.

(1) Supplier A is a U.S.-based online marketplace operator.

(2) Supplier B is a PRC company and engages in manufacturing business.

(3) Supplier C is a PRC company and engages in manufacturing business.

(4) Supplier D is a group based in the PRC and engages in manufacturing business.

(5) Supplier E is a PRC company and engages in manufacturing business.

(6) Supplier F is a PRC company and engages in manufacturing business.

(7) Supplier G is a PRC-based online marketplace operator.

(8) Supplier H is a PRC company and engages in manufacturing business.

(9) Supplier I is a PRC company and engages in manufacturing business.

(10) Supplier J is a PRC company and engages in manufacturing business.

COST CONTROL

We are committed to offering high-quality products while continuously striving to reduce costs for our consumers. In pursuit of this goal, we have initiated several cost control measures across key aspects of our business:

- *Product.* By leveraging economies of scale from our expanding production volume, we have been able to negotiate faster fulfillment of our purchase orders by suppliers, This improvement contributes to lower storage costs for our inventory and reduced operational expenses. Additionally, our ongoing efforts to refine our die-casting process, particularly through the introduction of molds developed in-house, have enhanced production efficiency and reduced mold costs, ensuring high levels of operational efficiency and cost-effectiveness.

- *Operations.* As our business continues to grow rapidly, we leverage our scale advantage to secure cost advantages in procurement. We have also established dedicated supply chain management teams for each product category. This specialization plays a crucial role in supporting our business growth objectives and driving down costs. Furthermore, by targeting our promotional and marketing efforts, we can substantially decrease related expenses. This approach not only ensures that our messages reach the most relevant audiences but also leads to cost savings in our operational expenses.

- *Warehouse and Logistics.* In our overseas operations, we prioritize swift product turnover to decrease our storage expenses. As our sales volumes increase, we enjoy lower storage fees and gain a stronger position to negotiate more favorable logistics rates. In addition, by primarily selling products in cookware sets rather than single items, we manage to further reduce delivery costs to end-customers. In our domestic operations, we focus on refining warehouse processes to enhance staff productivity and maintain a high rate of turnover to maximize warehouse utilization. Our consistent increase in domestic sales, combined with our expanding scale, enable us to secure more favorable logistics terms.

OUR CUSTOMERS

Customers of Branded Business

Our customer base is primarily composed of retail customers who purchase our products either directly from our online stores on third-party platforms or our own shopping website. To a lesser extent, our customer base also includes operators of online platforms, to whom we supply products for purchase by the platform users. See "— Sales and Marketing — Online Sales Network" for details.

ODM Customers

Our ODM customers primarily consist of brand-owners operating in the international markets and, to a lesser extent, retailers, importers and trading companies. We provide them with customized products tailored to their specific requirements, which they subsequently market and sell under their own brand names. We have cooperated with each of our five largest ODM customers during the Track Record Period for over six years.

As of the Latest Practicable Date, we have supplied products to 51 ODM customers across 27 geographic markets. See "— Sales and Marketing" for details.

General Terms with Our ODM Customers

Our contracts with ODM customers typically contain the following major terms:

- *Product specifications:* The contracts with our ODM customers outline the specific details of the products to be supplied, including specifications, packaging, quantities, and unit prices.

- *Payment terms:* ODM customers typically make payments through either letters of credit or telegraphic transfer. The payment terms usually involve an upfront payment as a deposit. Once the goods are shipped and the shipping documents are ready, the ODM customer will pay the remaining balance.

- *Delivery:* Generally, our products are transported to ODM customers via sea shipping. The contracts specify the port of loading and the destination for the delivery of our products. Our obligation to deliver follows a "Free on Board" model, whereby we are responsible for delivering and loading goods onto a vessel arranged by the ODM customer at the agreed-upon port. Once the goods are on board, the risk of damage or loss during transit is transferred to the customer, who is responsible for costs for the rest of the journey to the destination, including paying for any transportation, insurance, and customs clearance costs.

- *Insurance:* ODM customers arrange and cover the costs of insurance for the goods during shipment.

- *Breach of contract:* The contracts include provisions addressing the consequences of any breaches of the agreed terms.

- *Confidentiality:* Both parties are bound by confidentiality obligations to protect sensitive information shared during the course of the contract.

Our Five Largest Customers

In 2021, 2022 and 2023, revenue from our five largest customers, most of which were ODM customers, accounted for 55.4%, 29.2%, and 11.8% of our total revenue, respectively, with our largest customer contributing 24.4%, 13.9%, and 6.5% of our total revenue during the same periods, respectively. All of our five largest customers during the Track Record Period were Independent Third Parties.

The following table sets out certain details of our five largest customers during the Track Record Period.

For the year ended December 31, 2023

Rank	Customer	Business nature	Business segment	Products provided	Approximate transaction amount	% of our total revenue	Credit period and payment method	Relationship since
					(RMB'000)	*(%)*		
1.	Customer A[(1)]	Trading business	ODM business	Cookware	102,345	6.5	45 days, TT	2016
2.	Customer B*[(2)] . . .	Home and living brand and retailer	ODM business	Cookware	58,795	3.7	30 days, letter of credit (LC) or TT	2013
3.	Customer C[(3)]	Trading business	ODM business	Cookware	8,291	0.5	30 days, LC or TT	2016
4.	Customer D[(4)]	Retail business	ODM business	Cookware	9,696	0.6	30 days, LC or TT	2015
5.	Customer E[(5)]	Trading and retail business	Branded business	Cookware	7,365	0.5	30 days, TT	2020

For the year ended December 31, 2022

Rank	Customer	Business nature	Business segment	Products provided	Approximate transaction amount	% of our total revenue	Credit period and payment method	Relationship since
					(RMB'000)	*(%)*		
1.	Customer A[(1)]	Trading business	ODM business	Cookware	106,764	13.9	45 days, TT	2016
2.	Customer B*[(2)] . . .	Home and living brand and retailer	ODM business	Cookware	48,908	6.4	30 days, LC or TT	2013
3.	Customer C[(3)]	Trading business	ODM business	Cookware	43,237	5.6	30 days, LC or TT	2016
4.	Customer F[(6)]	Online retail marketplace operator	Branded business	Cookware	14,944	1.9	60 days, TT	2017
5.	Customer D[(4)]	Retail business	ODM business	Cookware	10,363	1.4	30 days, LC or TT	2015

For the year ended December 31, 2021

Rank	Customer	Business nature	Business segment	Products provided	Approximate transaction amount	% of our total revenue	Credit period and payment method	Relationship since
					(RMB'000)	*(%)*		
1.	Customer B*[(2)] . . .	Home and living brand and retailer	ODM business	Cookware	164,998	24.4	30 days, LC or TT	2013
2.	Customer A[(1)]	Trading business	ODM business	Cookware	129,086	19.1	45 days, TT	2016
3.	Customer C[(3)]	Trading business	ODM business	Cookware	54,576	8.1	30 days, LC or TT	2016
4.	Customer F[(6)]	Online retail marketplace operator	Branded business	Cookware	16,708	2.5	60 days, TT	2017
5.	Customer D[(4)]	Retail business	ODM business	Cookware	8,692	1.3	30 days, LC or TT	2015

Notes:

* Customer B was the ultimate majority shareholder of Foshan Kemo Trading Co., Ltd* (佛山柯莫貿易有限公司) ("**Foshan Kemo**"), which was also a supplier providing procurement services to our Group during the Track Record Period. For the three years ended December 31, 2023, our purchases from Foshan Kemo amounted to approximately RMB300,000, nil and RMB578,996.99, respectively.

During the period from March 2020 to October 2023, Foshan Kemo was held as to 100% by a Hong Kong incorporated intermediary company, which was in turn held as to 60% by Customer B, 20% by Mr. Zhang and 20% by a third party independent of our Group. Mr. Zhang disposed his interest in the aforesaid intermediary company and Foshan Kemo to an independent third party in October 2023. Since October 2023, Foshan Kemo has ceased to be a supplier to our Group.

(1) Customer A is a Taiwanese company and engages in trading business.

(2) Customer B is an Italy-based retailer of home and living products.

(3) Customer C is an Italian company and engages in trading business.

(4) Customer D is a Malaysian company and engages in the importation and distribution of kitchenware and household products.

(5) Customer E is a Taiwanese company and engages in trading and retail business.

(6) Customer F is a PRC-based online marketplace operator.

SALES AND MARKETING

Online Sales Network

Our branded business has established a global sales network by leveraging online platforms, enabling us to reach and making our products available to customers worldwide. Through collaborations with prominent online marketplaces, including, among others, Tmall and JD.com in China, as well as Amazon, Walmart, Rakuten, Shopee, Lazada, and others internationally, we have established our self-operated online stores on these platforms catering to both domestic and international markets. Our online stores serve as direct channels for retail customers to conveniently place orders and purchase our products. As of the Latest Practicable Date, we operate a total of 51 self-operated online stores across 22 online marketplaces in 20 geographic markets worldwide. Additionally, we operate our own dedicated online store accessible through our website **www.mycarote.com** for the U.S. market.

The following table sets forth a breakdown of our revenue from branded business by platform for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)					
Amazon	63.7	22.5	162.2	30.6	673.2	48.8
Tmall	121.4	42.9	207.2	39.1	285.4	20.7
Walmart	—	—	9.6	1.8	245.1	17.8
Shopee	9.3	3.3	18.7	3.5	41.6	3.0
Lazada	34.5	12.2	27.2	5.1	33.2	2.4
Douyin	2.0	0.7	15.9	3.0	18.8	1.4
JD.com	29.1	10.3	37.8	7.1	18.4	1.3
Others[(1)]	23.3	8.1	52.1	9.8	64.2	4.6
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**

Note:

(1) Primarily revenue from sales through Shopify in 2021, Rakuten and Shopify in 2022, and Rakuten in 2023.

Sales Arrangements with Online Marketplaces

Our sales operations on online marketplaces are conducted primarily through under two distinct models: the DTC sales model and the Business-to-Business (**B2B**) sales model.

Under the DTC sales model, we sell directly to retail customers who place order with us through our self-operated stores on the marketplaces. These individuals are recognized as our customers. For this model, we typically purchase operational support services from the marketplaces, including order fulfillment, storage, and customer services, among others. Furthermore, in general, we are required to pay a commission to the marketplaces, which is typically a certain percentage rate of our sales revenue generated through our online stores on these marketplaces.

Furthermore, under the B2B sales model, we supply our products to the online marketplaces, which in turn resell them to end-customers through their own online stores or channels. In our B2B sales, the marketplaces that purchase products from us for resale are recognized as our customers, and we do not need to pay any additional fees or commissions to the marketplaces.

Sales through Amazon

We utilize Amazon's services to connect with a worldwide customer base across various key markets, including the United States, Canada, Japan, India, the UK, Germany, Sweden, Netherland, Saudi Arabia, and the UAE, benefiting from Amazon's extensive global reach, robust infrastructure, and established reputation as a trusted online marketplace. Furthermore, the streamlined sales process and efficient services provided by Amazon align well with our rapid growth across multiple geographic markets, allowing us to operate with greater efficiency, which is a crucial aspect for our operations.

We sell our products on Amazon primarily through the Seller Central program, a comprehensive seller services program provided by Amazon that allows us to conduct online sales under a DTC Sales model. Using the dedicated Amazon Seller Central portal, we effectively manage various aspects of our Amazon sales, including inventory management, pricing updates, buyer communication, and adding new products. To streamline order fulfillment, we leverage Amazon's "Fulfillment By Amazon (FBA)" service, whereby we send our products to Amazon's warehouses and Amazon handle shipping and last-mile delivery to the customers on our behalf. Revenue recognition for our sales occurs upon the transfer of product control to our customers. In 2021, 2022 and 2023, our revenue generated through Amazon's Seller Central program amounted to approximately RMB63.7 million, RMB159.8 million, and RMB666.3 million, respectively, representing approximately 22.5%, 30.1%, and 48.3% of our total revenue from branded business.

In addition to the Seller Central program, since 2022 we have also participated in Amazon's Vendor Central program, although to a lesser extent and exclusively in the European market. This program operates under a B2B sales model, where Amazon places bulk purchase orders with us and subsequently fulfills its customer orders by reselling the products acquired from us. The revenue generated through the Vendor Central program amounted to approximately RMB2.4 million and RMB6.9 million in 2022 and 2023 respectively, representing approximately 0.5% and 0.5% of our total branded business revenue for the respective periods.

Sales through Tmall

We have established a strong presence on Tmall, one of the renowned online marketplaces in China, enabling us to tap into a vast customer base in the country. Our online sales on the Tmall platform commenced in 2016 and are primarily conducted under a DTC sales model. We have experienced consistent revenue growth from Tmall during the Track Record Period. In 2021, 2022 and 2023, sales on Tmall contributed to a total revenue of RMB121.4 million, RMB207.2 million, and RMB285.4 million, respectively, accounting for approximately 42.9%, 39.1%, and 20.7% of our total revenue from branded business.

Along with our primary DTC sales, during the Track Record Period, a relatively minor portion of sales on Tmall was generated through Tmall Supermarket, an online grocery marketplace on the Tmall, operating under a consignment model. In this arrangement, we supply goods at an agreed price to the Tmall Supermarket for sale to end-user consumers who purchase our products on Tmall Supermarket. Once the end consumers purchase on Tmall Supermarket and confirm receipt of the goods, Tmall Supermarket completes the transaction by making payment to us, after deducting certain expenses and service charges. In 2021 and 2022, revenue from our sales through Tmall Supermarket was RMB6.0 million, RMB1.1 million, respectively, accounting for 4.9% and 5.3% of our total revenue from sales through Tmall. We discontinued the sales through Tmall Supermarket upon contract expiry in March 2022 to prioritize our sales through the DTC model.

Sales through JD.com

JD.com is a prominent online marketplace in China. Our sales through JD.com commenced in 2017 and are conducted through both (i) a DTC sales model via our self-operated store on the platform and (ii) a B2B model whereby we supply products to JD.com for resale to the end-user consumers. In 2021, 2022 and 2023, sales through JD.com contributed to a total revenue of RMB29.1 million, RMB37.8 million, and RMB18.4 million, respectively, accounting for approximately 10.3%, 7.1%, and 1.3% of our total revenue from branded business.

Sales through Other Platforms

We also leverage other prominent online platforms in various regions to reach a wider customer base. For instance, in China, we operate on popular social media platforms such as Douyin and Xiaohongshu. Meanwhile, in Japan, our presence spans across major online marketplaces, including Rakuten and Qoo10. In Southeast Asia, we establish a presence on leading marketplaces such as Lazada and Shopee. We conduct sales on these platforms primarily under a DTC sales model.

The following table sets forth details of major online marketplaces we worked with as of the Latest Practicable Date.

Online marketplace	Market covered	Relationship since
SHEIN	United States	2023
TikTok	United States	2023
Qoo10	Japan	2022
Walmart	United States	2022
Rakuten	Japan	2021
Douyin	China	2020
Shopee	Southeast Asia	2020
Wayfair	United States	2020
Amazon Germany	Germany	2018
Amazon UK	United Kingdom	2018
Lazada	Southeast Asia	2018
Amazon Japan	Japan	2017
Amazon US	United States	2017
JD.com	China	2017
Tmall	China	2016

Offline Sales

During the Track Record Period, substantially all of our sales for our branded business were conducted online, accounting for 98.1%, 98.6%, and over 99.9% of our total sales for branded business in 2021, 2022 and 2023, respectively. Our offline sales during the Track Record Period were minimal, which primarily involved sales to a Taiwan-based distributor (the "**Distributor**") to market our products in Taiwan. In 2021, 2022 and 2023, our sales to the Distributor amounted to RMB3.4 million, RMB5.0 million, and RMB7.4 million, respectively.

During the Track Record Period, we did not conduct sales through any distributor other than the Distributor.

Our distributor agreement with the Distributor has the following major terms:

- *Authorization:* We, as the brand owner, authorize the Distributor to be our distributor within Taiwan to sell our own branded products. The Distributor cannot authorize sub-distributors without our approval and is not permitted to distribute or sell products similar to the authorized ones.

- *Selling price:* We provide a suggested retail price. The Distributor may independently set the actual selling price based on market conditions and its business status, but it must not be lower than the minimum price set by us. Sales below the minimum price require our approval.

- *Cross-region sales:* Selling our products outside the designated region is regarded as cross-region sales. Generally, cross-region sales by the Distributor are not permitted.

- *Distributor management:* We have the right to request inventory levels, product flow, order sales, quantity, and selling prices from the Distributor for record-keeping. If the Distributor's actions result in damage to our brand or hinder our business development in the specified region, we may cancel its distributorship.

- *Payment terms:* The Distributor must transfer payment to our designated account within 30 days after product shipment. If the Distributor underpeforms, the payment term changes to pre-payment by the Distributor before product shipment.

- *Duration:* The distribution agreement has a term of five years, from January 1, 2021 to January 1, 2026.

- *Termination:* For one year following the termination of the distribution agreement, the Distributor cannot sell similar products. Additionally, for five years post-termination, the Distributor is prohibited from manufacturing similar products.

Selective Expansion in Offline Sales Channels

To complement our online operations, we are selectively seeking to expand our presence in offline sales channels, aiming to further enhance our global footprint, particularly in key markets where we have already established our position and where offline expansion aligns with our broader business objectives. In June 2023, we secured brand supplier qualification for a major retail chain in the United States, which has an extensive network of offline department and warehouse stores across the country. Our products are expected to be available on the shelves of this retail chain starting in May 2024. Additionally, in December 2023, we established cooperation with a renowned Japanese wholesaler specializing in kitchen and dining goods (the "**Japanese Wholesaler**") to distribute our cookware products across the Japanese market. The Japanese Wholesaler has committed to purchasing a minimum US$2.0 million worth of our cookware products. We anticipate the sales of our products through this channel to commence in April 2024.

ODM Sales

We primarily engage with and develop ODM customers through participating in major exhibitions, such as the China Import and Export Fair. Our focus lies on building lasting partnerships with our existing clients, prioritizing their satisfaction and loyalty. Our cooperation with each of our five largest ODM customer during the Track Record Period has spanned over six years. In particular, our collaboration with an Italian-based retailer specializing in home and living products has lasted over a decade. When approaching potential customers, we carefully select those that align with our existing business and expansion plans to ensure efficient allocation of resources and foster a mutually beneficial partnership.

Marketing

Our primary focus is on in-platform marketing, with an emphasis on online channels. We showcase our products' innovative features and performance through visuals and videos, ensuring that the product's unique selling points resonate with our target audience. Alongside this, we leverage social media platforms for marketing and promotional campaigns, allowing us to reach a wider audience and engage with potential customers. For instance, we feature our employees in livestreams to enhance our brand image and promote our products. We also actively participate in holiday sales and promotional activities organized by the online marketplaces where we operate our self-operated online stores. This enables us to drive sales and expand our customer base.

Customer engagement is key to our marketing effort, and we employ various channels to interact with our customers. We value customer feedback and utilize post-order service interactions, customer reviews, and inquiries to understand their preferences. By analyzing their ratings and specific feature preferences, we gain valuable insights that inform our product development process, allowing us to offer more targeted and customer-centric products.

PRICING

We adopt a market-oriented pricing strategy, closely monitoring changes in the markets where we operate. Our pricing strategy aims to provide customers with competitive prices by considering a series of factors, including local customer demand and preferences, cost considerations, profit considerations, business development goals, market maturity level, economic development level, competitor pricing, and currency exchange rates.

Our pricing model across various geographic markets is guided by two primary factors: our own cost analysis and the prevailing market prices of competing products. In particular, during major promotional events on the platforms we collaborate with, we ensure our pricing complies with the platform's participation requirements. Having met this prerequisite, we actively monitor our competitors' pricing strategies, making timely adjustments to our prices while balancing our objectives for profit and sales volume. This ensures both compliance with platform rules and our competitiveness in the market.

AFTER-SALE SERVICES

As of the Latest Practicable Date, we have established a dedicated in-house customer service team comprising 18 members to cater to our customers' after-sale needs. Our team is committed to providing comprehensive support, including handling customer feedback, ratings, inquiries, complaints, product usage guidance based on customer requirements, and any other issues that may arise post-purchase or during product usage. Additionally, our customer service team manages product returns and refunds. The primary objective of our customer service team is to offer reliable support and collect valuable feedback from our customers. Whether through email correspondence or live chat with our customer service representatives, we actively engage with customers to address their queries and concerns. This interaction allows us to gather insights on product quality, customer preferences, areas for improvement, and market demands. Such information is handled by our customer service team and is also shared with our product design and development department. This collaborative approach enables us to enhance our existing product offerings and develop new products that are responsive to customer needs and expectations. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints regarding our products or after-sale services.

WARRANTY AND PRODUCT RETURN POLICY

We offer a limited warranty for all the products we sell. By default, our products come with a one-year warranty from the date of purchase for end consumers. This warranty covers any defects caused by manufacturing flaws, and we promptly address them through repair or replacement of the faulty parts, or refund for the product. Our warranty is non-transferrable and does not cover damages resulting from abuse, accidents, alterations, misuse, tampering, or vandalism.

In the Chinese market, we offer a seven- or 15-day "no reason" return policy, allowing customers to exchange or return products without providing a specific reason. For overseas markets, our product return policy follows the return policies of the online platforms where we operate — such as Amazon, which, for example, generally allows returns for items within 30 days of receipt, with some exceptions. Depending on their condition upon receipt, returned products are either reused for further sales or responsibly disregarded.

Throughout the Track Record Period and up to the Latest Practicable Date, there have been no product recalls, product returns, product liability claims, or customer complaints that have materially and adversely impacted our business.

SEASONALITY

Our product sales demonstrate a relatively stable demand throughout the year. Save for the temporary sales spikes during targeted sales "holidays" and promotion campaigns organized by the online marketplaces where our online store operates, such as Amazon's Prime Day and Black Friday promotions, our overall sales remain unaffected by other prominent seasonal patterns or cycles. This consistent performance allows us to maintain a reliable revenue stream, ensuring our products are available to customers consistently, regardless of the time of year.

AWARDS AND RECOGNITIONS

The table highlights notable awards and recognitions we have received from various reputable online marketplaces as of the Latest Practicable Date:

Award/Recognition	Awarding platform	Year
Brand Influence Award	Walmart	2023
Amazon Global Layout Brand Award	Amazon	2022
Kitchenware and Dining Tools Industry Growth Excellence Award	Tmall	2022
Brand of the Year	Lazada	2022

INFORMATION TECHNOLOGY

Our operations rely on a range of third-party information technology systems that effectively support and streamline our processes. These systems offer comprehensive functionalities for order management, supplier management, inventory control, logistics tracking, and sales and aftersales tracking.

In the domestic market, we utilize the dedicated enterprise resource planning ("**ERP**") system provided by Tmall, specifically on the Tmall platform. This platform-specific system facilitates seamless transactions and efficient handling of customer returns through automated return and refund capabilities. Additionally, we collaborate with third-party service providers on Tmall to enhance our sales order management and improve the overall customer experience. These providers assist with order management and offer features such as customized keyword searches for customer inquiries. Their system also automatically shares logistics tracking numbers with customers, keeping them informed about their shipment status. On other platforms in the domestic markets, we have implemented an ERP system that enables efficient management of our operations. This versatile system integrates a range of functionalities, including order management, supplier management, inventory control, logistics tracking, and automated report generation. It enhances our operational efficiency by providing robust tools to streamline and optimize various aspects of our business processes.

For our online operations targeting overseas markets, we utilize a dedicated ERP system provided by a specialized service provider in cross-border e-commerce operations and management. Serving as a central hub for order management and after-sale services, this system enables us to efficiently handle customer orders and provide prompt support and responses to inquiries.

DATA PRIVACY AND SECURITY

We collect, process, and retain certain specific personal and transaction-related data in the normal course of our business. This includes details such as customer names, age, and addresses. We primarily access this information through the online platforms where we operate. Customers agree to share this data with us to receive our services when they place order via these platforms. We are dedicated to safeguarding the privacy and security of consumers' personal information. To ensure this, we have implemented a range of policies governing data collection, processing, and usage. These policies include, among others, a data protection policy that outlines principles and measures for safeguarding the personal information we collect and process in our operations, as well as a data security policy the provides a holistic approach to addressing data security matters.

Compliance with applicable laws and regulations, such as the recently enacted Regulations on the Administration of Cyber Data Security, is a priority for us. We diligently collect personal information from consumers in accordance with these regulations and regularly conduct self-inspections to identify and address any issues, ensuring the maximum protection of personal information. For more details on our compliance with PRC laws concerning personal information protection, see "Risk Factors — Risks Relating to Our Business and Industry — We may fail to comply with personal information and data security laws and regulations."

Personal Data Protection Policy

Our personal data protection policy includes a comprehensive set of measures designed to safeguard the personal information of our customers, suppliers, and employees that we access in our daily operations. These measures are structured around the following key principles and practices:

- *Minimum necessary principle*: We adhere to the minimal necessary principle by collecting personal information only to the extent necessary for providing our products or services.

- *Prohibition of misleading collection*: We commit not to mislead or coerce individuals into providing personal information through deceptive practices. Furthermore, we ensure the source of any collected personal information is traceable and do not collect information from illegal sources.

- *Security measures*: We are responsible for taking all necessary measures to ensure the security of the personal information we process, including protecting it from unauthorized access by third parties.

- *Consent and notification*: Before processing any personal information, we obtain explicit consent from individuals or entrust our business partners to do so, and provide these individuals with clear, understandable information about our identity, contact details, the purposes and methods of processing, the types of personal information processed, the retention period, and how they can exercise their rights. We also promptly notify individuals of any changes to these matters.

- *Sensitive information*: To minimize risks such as leakage, misuse, or abuse of sensitive personal information, we primarily de-identify or encrypt such information, unless de-identification or encryption is impractical for service quality reasons.

- *Storage and destruction*: We determine the storage period for personal information based on the minimum time required for our business purposes and proceed to destroy or anonymize the information after this period, except as otherwise required by laws, regulations, or specific agreements.

- *Use within consent scope*: We use personal information strictly within the consented scope, with a focus on de-identifying sensitive information to ensure that it cannot be traced back to specific individuals without additional information.

- *Restrictions on providing information*: As a general rule, we do not provide personal information to third parties. However, when necessary for business operations and with ensured safety, we inform individuals about the recipient's details and obtain their explicit consent before sharing their personal information. We also require recipients to process the information strictly within the agreed-upon purposes and methods.

Furthermore, to maintain information security and data protection when interacting with service providers, we follow third-party information security guidelines, including information security protocols of the online platforms where we operate our online stores. These guidelines outline the responsibilities, procedures, and requirements for us in managing information security and data privacy when dealing with these entities or using their services. We also ensure that confidentiality agreements are signed by employees to prevent unauthorized disclosure of personal data.

Data Security Policy

We have established a robust data security policy, incorporating a comprehensive management framework that involves the information department and other relevant departments to oversee and enforce data security across our operations. This policy includes the development of detailed data security guidelines, the classification of data based on sensitivity, and the implementation of strict access controls. Under this policy, we prioritize the confidentiality and integrity of data through regular audits, risk assessments aligned with national and international standards, and the adoption of best practices for data handling, including the preferential use of anonymized data. Furthermore, this policy assigns dedicated personnel within the information department the responsibility of monitoring compliance and ensuring the secure processing, usage, transmission, storage, and destruction of data.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any data leakage or breach incidents.

INTELLECTUAL PROPERTY

We regard our trademarks, domain names, know-how, trade secrets, and similar intellectual property, as crucial to our overall success, and we rely on trademark and copyright laws, as well as confidentiality and non-compete agreements with our employees and other parties to safeguard our proprietary rights. We have registered various trademarks, patents, copyrights, and one domain name (***www.mycarote.com***). For more information, see "Statutory and General Information — Further Information about Our Business — (b) Intellectual Property Rights of Our Group" in Appendix IV of this document.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material claims of intellectual property infringement.

COMPETITION

The kitchenware market in China is highly competitive in nature, with a mix of leading and other market participants competing for shares in local markets. We face competition from both established players and emerging brands in the kitchenware sector. Additionally, we encounter competition in the international markets, where certain competitors, particularly established international brands, may have advantages in terms of scale and financial resources. See "Risk Factors — Risks Relating to Our Business and Industry — We face intense competition in various geographic markets where we operate and if we are unable to compete successfully, our business, results of operations, and financial condition could be materially and adversely affected."

Despite these challenges, we believe that we maintain a favorable competitive position. Our strengths are encapsulated in the value propositions of our brand, which combine functionality, style, and affordability. These are supported by our effective customer engagement, a continually expanding global sales network, a diverse and frequently updated product range appealing to a wide customer base, an efficient supply chain, and strong product development and innovation capabilities grounded in extensive industry knowledge and expertise. The expertise and entrepreneurial insight of our founding and management team further contribute to our competitive edge. Collectively, these factors form the foundation of our value propositions, allowing our brand to continue to attract customers globally.

Furthermore, the global online kitchenware industry is continuously evolving, driven by technological advancements and shifts in consumer preferences. It has shown a robust resistance to economic fluctuations and is projected to grow steadily with the rising popularity of home cooking during the recent years. According to the CIC Report, the size of the global online kitchenware market is expected to reach US$21.5 billion by 2027, with a CAGR of 8.3% from 2022 to 2027. We believe that our online operational model purposely built for speedy global expansion, along with our frequently refreshed offerings specifically designed to cater to the preferences of young generation, positions us well to leverage growth opportunities in underpenetrated markets in furthering our growth ambitions.

EMPLOYEES

As of the Latest Practicable Date, we employed 178 full-time employees, all based in China. The following tables set forth the number of our employees categorized by function as of that date:

Function	Number of employees	% of total
Operations	77	43.3
Product design and development	8	4.5
Supply chain management	63	35.4
General and administration	30	16.9
Total	**178**	**100.0**

Our ability to attract, motivate, and retain qualified personnel is crucial to our success. We acknowledge the importance of offering competitive remuneration packages to our employees. To incentivize our employees, we provide year-end bonuses and have a system in place to reward outstanding employees for their exceptional annual performance. Furthermore, we express our appreciation for their dedication by celebrating significant milestones such as their work anniversaries with thoughtful gifts, as well as providing holiday benefits during festivals.

Recognizing the importance of continuous learning and professional development, we have established a training program to enhance the professional skills of our employees. This includes specialized training in areas such as procurement, planning, quality inspection, and operational skills. To support the growth and development of our employees, we allocate specific funds for them to participate in external training programs. In addition, we provide training on professional ethics, onboarding, and corporate culture, facilitated by our human resources department.

Ensuring the workplace safety and well-being of our employees is a top priority for us. We conduct fire safety training to mitigate potential risks and promote fire prevention awareness. Moreover, we carry out anti-fraud campaigns and invite local law enforcement officers to deliver lectures on crime prevention. These efforts contribute to maintaining a secure working environment for our employees' well-being.

We enter into standard labor contracts with our employees, which outline the terms and conditions of their employment. In addition, we require all employees to sign standard confidentiality agreements. These agreements prohibit the disclosure of confidential information pertaining to our Company, affiliates, business, and customers without our prior consent. They also include provisions regarding non-competition obligations during the employees' employment with us and non-solicitation obligations both during and after their employment. We believe that we maintain a good working relationship with our employees. Our employees are not represented by a labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes.

In accordance with applicable PRC laws, we participate in statutory employee benefit plans, including a social security insurance scheme covering medical insurance, maternity insurance, workplace injury insurance, unemployment insurance, and pension benefits, as well as a housing provident fund scheme. We are required under applicable PRC laws to contribute to statutory employee benefit plans at certain percentages of the salaries of our employees up to a maximum amount specified by the local government from time to time. During the Track Record Period, certain of our PRC subsidiaries did not make social security insurance and housing provident fund contributions in full amount in accordance with the relevant PRC laws and regulations. The shortfall of social security insurance contribution amounted to RMB1.6 million, RMB2.3 million and RMB3.4 million in 2021, 2022 and 2023, respectively. The shortfall of housing provident fund contribution amounted to RMB1.5 million, RMB1.7 million, and RMB2.4 million in 2021, 2022 and 2023, respectively.

As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, the relevant government authorities may demand us to make payments for the shortfall amount within a prescribed time limit together with a daily overdue charge of 0.05% of the shortfall amount from the due date. If the payment is not made within such time limit, the authorities may impose a fine ranging from one to three times of the total outstanding amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the Housing Provident Fund Administration Center may require payment of the shortfall amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

We undertake to make timely payments for the shortfall amount as soon as requested by the competent government authorities. Additionally, we have obtained an undertaking from our Controlling Shareholders to monitor our compliance with any requirements which the competent authorities may impose on us to fulfill obligations related to social security insurance and housing provident fund contributions, and to make up for any shortfalls arising from our failure to pay any historical arrears or other penalties or fines arising from such incident.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social security insurance and housing provident fund contributions, nor had we received any order to settle the shortfall amount. Moreover, as of the Latest Practicable Date, we were not aware of any material complaint filed by any of our employees regarding our social security insurance and housing provident fund policy. For social security insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the

State Council and Stabilizing the Levy of Social Security Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social security insurance arrears.

As advised by our PRC Legal Advisor, based on the relevant regulatory policies, the factual background as stated above, and the confirmations from relevant authorities, the likelihood that we would be subject to the historical arrears or material administrative penalties due to our failure to provide full social security insurance and housing provident fund contributions for our employees is remote. Therefore, no provision was made for the shortfall of social security insurance and housing provident fund contribution in our consolidated financial statements during the Track Record Period.

INSURANCE

We believe that we have economically reasonable and industry-standard insurance coverage for commercial general liability insurance and automobile insurance. We place our insurance coverage with highly rated carriers. Our Directors believe that our insurance coverage is adequate and aligns with industry norm.

In compliance with applicable laws, regulations, and commercial practices in our industry, we maintain all mandatory insurance policies. We consider our insurance coverage to be adequate, providing the necessary safeguards for our operations.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all aspects of our business operations. It is considered a fundamental aspect of our growth, enabling us to create sustainable value for our Shareholders while embracing diversity and public interests.

During the Track Record Period and up to the Latest Practicable Date, we have maintained compliance with health, work safety, social, and environmental regulations in all material respects, without incurring any fines, penalties, or legal liabilities.

To comply with the Stock Exchange's reporting requirements on ESG following our **[REDACTED]**, we have adopted a comprehensive ESG policy that has been developed in accordance with the Listing Rules. Such ESG policy will be reviewed on an annual basis. Our ESG policy will include (i) the appropriate governance oversight; (ii) the approach and strategies to address ESG-related risks; (iii) the mechanisms for identification, assessment, and mitigation of these risks, and (iv) the setting of objectives and key performance indicators (**KPIs**).

Governance and Oversight of ESG Matters

Our Board collectively assumes the responsibility of establishing, adopting, and reviewing our ESG vision, policy, and targets. They evaluate, determine, and address ESG-related risks at least annually and, when necessary, engage independent third parties to assess risks, review strategies, targets, and internal controls, and implement improvements as needed to mitigate risks and enhance our ESG performance.

Under our ESG Policy, a dedicated ESG Committee under the Board is established to provide strategic oversight on ESG strategies and initiatives. This committee is supported by a specialized ESG working group.

ESG Committee

Chaired by our chairman of the Board, the ESG Committee is entrusted with several critical responsibilities:

- *Regulatory monitoring*: Tracking the latest ESG regulatory policies and adapting our ESG strategic plans in response to any changes in regulations;

- *Stakeholder engagement*: Identifying the key stakeholders relevant to our business operations to ensure that our ESG strategies align with their interests and expectations;

- *Risk and opportunity evaluation*: Assessing the risks and opportunities associated with ESG factors, while also considering the broader societal impacts of these elements;

- *Objective and KPI setting:* Establishing specific ESG objectives and KPIs, which serve as benchmarks for measuring our performance and progress in these areas;

- *Governance oversight:* monitoring the development of ESG governance to guarantee the effective implementation of our ESG policies, ensuring that these strategies are integrated into our corporate culture and daily operations; and

- *ESG reporting:* Compiling an annual ESG report to assess and review our achievements in relation to the set objectives, providing transparency in our ESG endeavors.

ESG Working Group

The ESG Working Group, composed of representatives from various business departments, ensures a wide-ranging perspective in our ESG efforts. It is tasked with facilitating the execution and implementation of ESG-related measures across different areas of our business and conducting regular assessments and reporting on progress towards achieving our ESG objectives.

Potential Impacts of ESG-Related Risks

We are aware of the potential impacts that ESG-related risks may have on our operations, which include the following main categories:

- *Environmental impact:* we recognize the environmental impact associated with the sourcing of our products. The manufacturing process is energy and resource-intensive, placing considerable strains on environmental protection efforts. There exists a risk that our manufacturing partners might not adhere to sustainable environmental practices, leading to issues such as increased pollution, excessive water usage, and a larger carbon footprint. Such environmental concerns could result in regulatory penalties and increased operational costs, ultimately disrupting our operations and damaging our reputation.

- *Social impact:* there are social risks associated with our business operations, especially in relation to the labor practice of third-party suppliers. The possibility of unfair or unethical practices within our supply chain represents a risk of severe reputational damage and legal challenges. Such practice could undermine our integrity and erode stakeholder trust.

- *Governance and compliance:* the governance aspect of ESG-related risks is critical to our operational integrity. Ineffective corporate governance practices in managing our relationships with suppliers and customers could lead to a lack of transparency, accountability, and ethical business conduct. This is particularly important given the diverse regulatory environments we operate across various countries and regions. Non-compliance with varying regulations regarding labor, safety, and environmental protection in different jurisdictions can result in fines, legal action, and restrictions on business operations.

- *Negative publicity:* we acknowledge the risk of negative publicity stemming from any ESG failure. Such negative exposure can significantly damage our reputation, leading to a substantial loss of consumer trust, decreased sales, and difficulties in attracting and retaining talent.

We recognize that addressing ESG-related risks requires ongoing monitoring, collaboration, and continuous improvement and significant investment in sustainable practices, compliance, and supply chain management. Failure to manage any of these risks can lead to increased costs due to fines, remediation efforts, and lost business opportunities.

ESG Opportunities

As global policies increasingly focus on environmental protection and consumer awareness of ESG issues grows, we anticipate a shift in market dynamics towards eco-friendly products. This evolving landscape is expected to increase the demand for green products, presenting us with substantial business opportunities. Our longstanding commitment to the research and design of kitchenware places us in an advantageous position to capitalize on these opportunities by developing products that cater to the rising demand for eco-friendly options. In response to the expected market shifts, we are focusing on the following areas to design and develop green products:

- *Expanding green product offering:* The increasing environmental concerns in Western Europe regarding the use of plastic materials have led to market entry barriers for materials such as polycarbonate, polystyrene, and polyamide over the past five years. This has increased demand for alternatives such as stainless steel insulated cups, driven by stringent environmental standards. With our expertise in product design and development, we plan to expand our drinkware line to include more stainless steel options to align with this market trend.

- *Enhancing green product packaging design:* We are committed to designing lightweight and material-efficient packaging to reduce packaging sizes and material usage. This initiative aims to appeal to consumers who are conscious of their environmental footprint and aligns with the growing customer preferences of prioritizing minimal environmental impact.

- *Promoting green manufacturing processes:* We aim to focus on innovative manufacturing processes such as integrated die-casting and efficient surface treatments. We aim to use specialized ceramic coatings for our cookware that require significantly lower temperatures in the manufacturing process than traditional ceramic coatings, thereby leading to energy savings.

Our Strategies to Address ESG-Related Risks

We are dedicated to engaging with our suppliers and other stakeholders to mitigate ESG-related risks, foster sustainable practices, and uphold responsible business conduct. By incorporating ESG considerations into our decision-making processes and supply chain management, we aim to minimize potential risks and create a positive impact on the environment, society, and governance aspects of our operations. Our strategies to address ESG-related risks include:

- *Enhanced due diligence and supplier selection:* Conducting thorough ESG assessments of potential suppliers to ensure their practices align with our values and standards; Evaluating their environmental records, social practices, and governance structures, selecting those with strong ESG credentials or those committed to enhancing their practices to meet our criteria.

- *Supplier engagement and capacity building:* Working collaboratively with suppliers to improve their ESG performance, providing training, resources, or operational support to implement sustainable practices; and implementing a supplier code of conduct that clearly outlines our expectations regarding environmental protection, labor practices, and ethical business conduct.

- *Regular monitoring and auditing:* Conducting regular audits of suppliers to ensure compliance with our ESG standards by internal teams or through third-party auditors; and using technology to enhance transparency and traceability within our supply chain and monitor the origin of materials and ensure ethical sourcing.

- *Stakeholder engagement and communication:* Engaging with stakeholders, including customers, employees, and local communities to understand their concerns and expectations related to ESG issues; and communicating transparently about our ESG efforts, progress, and challenges through sustainability reports, social media, and other platforms.

- *Risk management and continuous improvement:* Establishing a comprehensive ESG risk management framework to identify, assess, and mitigate ESG-related risks throughout the supply chain; and adopting continuous improvement approach to ESG performance, regularly reviewing practices and adapting strategies as necessary.

Identification, Assessment and Mitigation of ESG-Related Risks

Aligning with our dedicated ESG strategies, the identification, assessment, and mitigation of ESG-related risks are foundational elements of our comprehensive approach to achieve sustainable practices.

Identification

We identify potential ESG-related risks through a comprehensive approach that includes internal evaluations, stakeholder engagement, industry analysis, and case studies, ensuring a broad and informed perspective on the ESG challenges unique to our operations and supply chain.

A key step in this process is supply chain mapping, which involved a careful examination of all parties involved in our supply chain, from raw material suppliers to final logistics service provider. This process helps us in identifying where risks may be the most relevant. In addition, we actively engage with a wide array of stakeholders, including suppliers, customers, employees, and local communities to gather various insights into potential ESG-related risks. Furthermore, benchmarking and industry analysis play a key role in this process. By examining reports and studies related to ESG practices in the kitchenware industry, we can compare our practices against industry standards and identify common ESG-related risks within the sector.

Assessment

Upon identification of potential ESG-related risks, we conduct rigorous assessments to evaluate the materiality and likelihood of each risk. We employ a combination of quantitative and qualitative analysis methods to prioritize risks based on their potential impact on our business and stakeholders. A critical part of our assessment is the materiality assessment, where we prioritize risks that have the potential to significantly affect our business, damage our reputation, or are of the greatest concern to our stakeholders. This prioritization allows us to allocate resources effectively and to develop targeted mitigation strategies for most material risks.

Additionally, a compliance review is an essential part of our risk assessment. In this process, we evaluate the identified risks in the context of compliance with both local and international laws and regulations, covering areas such as environmental protection, labor rights, and corporate governance. The compliance review helps ensure that our mitigation strategies are effective and adhere to legal and regulatory standards, safeguarding us from potential legal liabilities.

Mitigation

Our mitigation strategies are multifaceted, focusing on collaborative initiatives to improve supplier ESG performance and the implementation of robust monitoring and auditing processes.

- *Reducing environment impact:* Recognizing the importance of addressing environment impact, we have implemented specific metrics and targets to guide our operations towards sustainable practices, including electricity savings, reducing water wastes, and transitioning to paperless business operations. Furthermore, we will work closely with our suppliers to explore energy-efficient measures and the use of eco-friendly materials, ensuring a reduced environment footprint across our supply chain.

- *Ensuring fair and ethical business conduct:* We will conduct regular audits on our suppliers to ensure their compliance with both our code of suppliers and established ESG standards, with a particular focus on fair labor practices, ethical business conduct and the support of safe working conditions within our supply chain. We are dedicated to working towards upholding ethical standards and protecting the well-being of all individuals involved in our supply chain.

- *Monitoring and reporting:* To ensure the effectiveness of our mitigation efforts, we have established mechanisms for ongoing monitoring of ESG-related risks. We are dedicated to transparently reporting on our ESG performance, both internally and externally. This transparency ensures accountability and facilitates an environment of trust among our stakeholders. In addition, we regularly review and update our metrics, targets, and overall approach in response to new information, changing business environments, and progress in our ESG initiatives, ensuring that our efforts in ESG risk management are both effective and aligned with evolving challenges and opportunities.

To effectively implement our mitigation strategies, we plan to tailor specific measures based on the type of risk, its immediacy, and the potential impact.

Time horizon	Risk type	Associated risk	Potential impact	Mitigation measures
Short-term	Acute risk	Extreme weather condition	Climate change has repercussions across all global regions. Our business operations are international, and we depend on third-party logistics providers to deliver goods internationally. Extreme weather events have the potential to disrupt these providers' shipping capabilities, extend delivery times, and result in our inability to maintain optimal inventory levels, thus failing to meet customer demand. Additionally, extreme weather can lead to volatile freight costs, which may increase our operational expenses.	Establishing and continuously refining contingency plans for extreme weather scenarios and enhancing inventory management to respond more effectively to such conditions.
Medium-term . . .	Transition risk	Consumer Preference for Eco-Friendly Products	The shift in customer demand may lead to a reduction in sales revenue.	• Adapting to changes in consumer preferences by diversifying our product line and promoting green development, production, and packaging. • Conveying the concept of green consumption. An annual disclosure of ESG-related metrics is planned to assure customers of our commitment to implementing sustainable development principles.
Medium-term . . .	Transition risk	Regulatory responses to promote sustainable development	We are required to comply with relevant environmental laws and regulations. Regulatory bodies may impose more stringent standards on us. As we transition to sustainable development models, we may need to reduce the use of non-environmentally friendly packaging materials, which could lead to increased operational costs.	Closely monitoring environmental policies and regulations, and provide environmental education and training for employees.
Medium-term . . .	Market risk	Supplier capacity	Delays, interruptions in supply, price volatility, and inconsistencies in product quality from our suppliers could result in higher procurement costs for us.	Enhancing supply chain management and improving the procurement and tracking of raw materials.

Time horizon	Risk type	Associated risk	Potential impact	Mitigation measures
Long-term	Governance risk	Supply chain management	Unfair or unethical practices within our supply chain could expose us to significant reputational damage and legal issues. Such behavior can undermine our integrity and diminish the trust that stakeholders place in us.	• Performing thorough ESG evaluations of potential suppliers to ensure alignment with our values and standards. • Implementing a supplier code of conduct that clearly specifies our expectations for environmental protection, labor practices, and ethical conduct. • Regular Monitoring and Audits: scheduling regular audits of our suppliers by our internal teams or external auditors to confirm adherence to our ESG criteria. • Leveraging technology to improve supply chain transparency and traceability, monitor the source of materials, and guarantee ethical procurement practices.
Long-term	Governance risk	Corporate governance practice	Inadequate corporate governance practices in managing our relationships with suppliers and customers can lead to a lack of transparency, accountability, and ethical business behavior. In addition, non-compliance with varying regulations related to labor, safety, and environmental protection across different jurisdictions could lead to fines, legal actions, and operational restrictions.	• Developing and implementing comprehensive corporate governance practices tailored to our specific circumstances. • Conducting regular reviews of these practices and adjust our strategies as needed to ensure compliance and uphold our ethical standards.
Long-term	Physical risk	Environmental impact of product procurement	Our production partners may fail to adhere to sustainable environmental practices, leading to increased pollution, water use, and carbon footprints.	Collaborating with suppliers to enhance their ESG performance by providing training, resources, or operational support to implement sustainable practices.

Metrics and Targets

We fully recognize the critical role of environmental protection and sustainable development in our operations. To implement ESG-related policies effectively, we have established environmental objectives that align with our overall business strategic goals. We will regularly review and refine these objectives, continually optimizing our approach to achieving them. This ensures our ongoing improvement and implementation of ESG initiatives, thereby minimizing our environmental footprint as much as possible.

To gauge our progress on these fronts, we have identified certain KPIs to evaluate our ESG performance and to facilitate us in taking corresponding measures to mitigate ESG-related risks and enhance our ESG initiatives. Considering the nature of our business, we consider electricity and water consumption to be our key KPIs to evaluate ESG performance. We have set the following ESG-related targets:

Key KPIs	Our targets
Electricity consumption.	Using 2023 as the baseline year, we aim to reduce overall electricity consumption intensity by 5% over the next five years.
Water consumption.	Using 2023 as the baseline year, we aim to reduce overall water consumption intensity by 5% over the next five years.

We plan to take the following measures to achieve our ESG related targets and related KPIs.

Green Office Initiatives

- Conducting online meetings to minimize unnecessary travel;
- Avoiding the use of vehicles when not necessary, and encouraging the use of public transport for eco-friendly commuting;
- Promoting a paperless office environment by encouraging the double-sided printing of documents;
- Encouraging employees to turn off unneeded electrical devices and lighting to conserve energy;
- Preventing the waste of food and beverages during filming processes; and
- Installing water-saving devices to lower water consumption.

Green Partnership Goals

- Increasing the proportion of suppliers with Recycled Claim Standard (RCS) certification to 20% over the next five years;

- Requesting suppliers to adopt new coating technologies that are more energy-efficient and save on electricity and natural gas;

- Monitoring energy usage in production processes and warehouses continuously; and

- Collaborating closely with suppliers to discover energy-saving measures and utilize environmentally friendly materials.

Green Packaging Efforts

- Focusing on degradable materials in the U.S., Indian, and European markets, implementing strategies for reducing, reusing, recycling, and degrading packaging materials, and minimizing the use of non-degradable packaging materials;

- Aiming to have approximately 20% of our suppliers use eco-friendly packaging materials within the next five years; and

- Ensuring that about 80% of our products are packaged using recyclable materials within the next five years.

Green Transportation Practices

- Promoting the use of new energy vehicles in our warehouses; and

- Ensuring all newly purchased forklifts and pallet jacks are electric to reduce air pollution during warehousing operations.

ESG Policy

We are committed to minimizing potential environmental risks and resource consumption in our operations and to promoting green practices through the implementation of various policies to reduce our environmental impact. We have established an ESG policy to guide the management of environmental, social, and climate-related matters, with the Board committed to continuously updating the policy to address changes related to the environment, society, and climate.

Environmental Policy

In our production and operational processes, we prioritize energy conservation and the reduction of natural resource use. We believe our business does not involve any significant direct emissions, wastewater discharges, noise, or waste generation, and thus we are not a major source of direct environmental pollution. However, our business operations may indirectly impact the environment, such as waste generated in the supply chain during product production and greenhouse gas emissions from logistics service providers during product delivery. We pay close attention to the ESG issues that may arise directly or indirectly from the production, packaging, delivery, and sale of our products. To conserve energy and reduce greenhouse gas emissions, we have taken the following measures:

Use of Resource

- Designing and implementing internal policies for office and utility management that outline how we measure, monitor, and optimize energy consumption, effectively integrating sustainability into our daily operations;

- Enhancing internal training on ESG-related policies and measures to raise employee awareness of ESG; and

- Encouraging the supply chain to increase the use of recycled materials and give preference to suppliers that use recycled materials for production. We have partnered with factories holding RCS certificates to use recycled materials in our products, reducing resource waste and improving resource efficiency;

Emission Management and Energy Saving

- Giving preference to suppliers that adopt environmentally friendly practices and management;
- Encouraging suppliers to use energy-saving machinery, systems, and equipment during procurement;
- Choosing to work with environmentally conscious logistics service providers who prioritize minimizing the environmental impact of their transport fleets;
- Increasing the use of "full container load" shipping rather than "less than container load" shipping to reduce packaging material waste; and
- Continuously seeking effective ways to reduce energy consumption and carbon footprint, including but not limited to, adopting LED lighting and high-efficiency, energy-saving equipment.

Social and Employee Policies

We embrace diversity in our workforce and adhere to local labor law requirements to prevent any form of discrimination based on gender, age, nationality, religious beliefs, or social status. Set forth below is our employee data categorized by gender and age group as of December 31, 2023:

	Number of employees	% of total
By gender		
Male	66	37.9%
Female	108	62.1%
By age group		
At or below 25	39	22.4%
Between 26 and 34	92	52.9%
Between 35 and 50	37	21.3%
Above 50	6	3.4%
Total	**174**	**100.0%**

We are committed to creating an equal, diverse, and supportive work environment for our employees, focusing on their personal growth and career development. This approach builds a sustainable talent foundation that supports our future business expansion.

- *Equality and diversity*: Equality and diversity in the workplace are of paramount importance to us. We strive to ensure all employees have equal opportunities, regardless of their gender, age, race, nationality, marital status, disabilities, religious beliefs, sexual orientation, or any other legally protected characteristics. We believe a diverse workforce is essential to our success, enhancing our ability to innovate and adapt to ever-changing market conditions. Notably, our female staff members outnumber our male staff. We maintain a non-discriminatory approach in recruitment and compensation, providing equal advancement and employment opportunities to all employees and candidates.

- *Comprehensive benefits*: Our comprehensive benefits package for employees includes medical, retirement benefits, workers' compensation, and other miscellaneous benefits, aimed at strengthening their sense of belonging and team cohesion.

- *Appreciation for dedication*: We show appreciation for our employees' dedication by giving special gifts on significant milestones, such as work anniversaries, and offering holiday benefits during festive seasons.

- *Motivation and retention*: Attracting, motivating, and retaining talented individuals is crucial to our success. We understand the significance of competitive compensation and benefits. To motivate our staff, we offer year-end bonuses and have established a reward system for outstanding performance over the year.

- *Talent development*: Talent development and planning are key focuses for us. We advocate for personalized talent development plans that consider the unique characteristics and goals of our employees. We encourage participation in both internal and external training programs to enhance personal skills. We provide relevant training and development opportunities to help employees advance their personal skills.

- *Employee participation:* We value employee feedback and encourage participation in the decision-making process. We continually refine our decision-making logic and share it with our employees in our operations. This enables our staff to make more efficient decisions, fostering a sense of ownership and building a more cohesive and effective team.

Occupational Safety and Health

Ensuring the workplace safety and well-being of our employees is a top priority for us. We conduct fire safety training anti-fraud campaigns to mitigate potential risks and promote risk prevention awareness. These efforts contribute to maintaining a secure working environment for our employees' well-being. Furthermore, we provide internal guidelines and training on work safety regulations, including office safety and emergency procedures, as well as infection and disease reporting standards, to enhance employees' awareness towards safety policies and risk prevention. We are committed to implementing every possible preventive measure to significantly reduce the risk of employee injury.

Corporate Social Responsibility

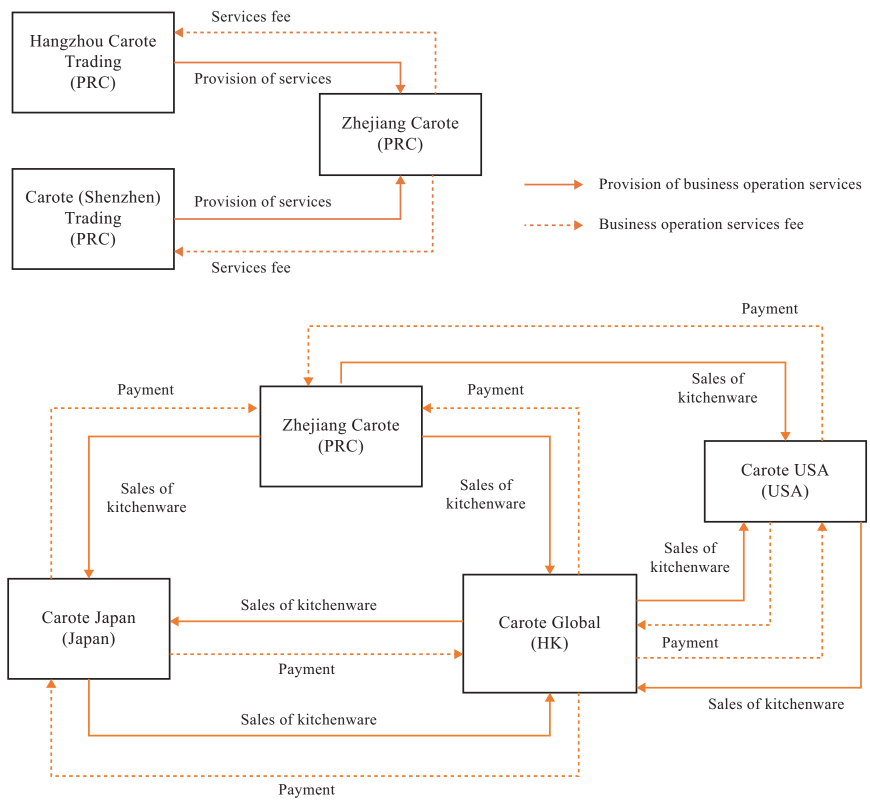
At our Company, corporate social responsibility is at the core of our operations. We believe in the significance of giving back to the community, as it has been the foundation of our business. For instance, we actively contribute to the Alibaba Foundation through regular donations. Our donations benefit a wide range of foundations and public interest organizations with diverse missions, including environmental protection, childcare, rural development, charity, women's development, poverty alleviation, and more. These contributions reflect our commitment to supporting causes that make a positive impact on society. We strive to incorporate social responsibility into every aspect of our operations, from sourcing materials to manufacturing processes and customer engagement through the implementation of our ESG Policy. By embracing corporate social responsibility and actively participating in charitable initiatives, we aim to create a better future for our communities and contribute to the well-being of society as a whole.

In 2021, 2022 and 2023, our corporate social responsibility donations amounted to RMB83.7 thousand, RMB249.2 thousand and RMB241.9 thousand, respectively.

TRANSFER PRICING ARRANGEMENT

Our global operations are managed through subsidiaries in different jurisdictions. Our PRC subsidiaries are mainly responsible for product development, supply chain management, manufacturing, domestic sales and marketing, while our overseas subsidiaries primarily focus on sales activities and e-commerce operations in the local markets. During the Track Record Period, our Group's major intra-group transactions were the tangible goods buy-sell as well as certain operational support service transactions (the "**Covered Transactions**").

The following diagram sets forth our transaction flow in respect of the Covered Transactions:



Among the entities of our Group involved in the Covered Transaction, Zhejiang Carote, our major operating subsidiary in the PRC, is primarily engaged in the development, sourcing, and sale of kitchenware products. In our intra-group transactions, Zhejiang Carote sells finished products to our subsidiaries outside Mainland China to fulfill sales orders from the international markets. During the Track Record Period, Zhejiang Carote sold kitchenware products to Carote Japan, Carote Global and Carote USA.

Hangzhou Carote Trading and Carote (Shenzhen) Trading, our operating subsidiaries in the PRC, are primarily engaged in business operation services. During the Track Record Period, Hangzhou Carote Trading and Carote (Shenzhen) Trading provided certain operational services for operating and managing our online stores across various geographic markets to Zhejiang Carote.

Carote Global, our trading subsidiary in Hong Kong, is the operator of our various stores on different online marketplaces. Carote Global sources goods from Zhejiang Carote to fulfill our sales orders in various overseas markets. During the Track Record Period, Carote Global sold kitchenware products procured from Zhejiang Carote to Carote Japan and Carote USA for sale in their local markets.

Carote Japan, our operating subsidiary in Japan, is the operator of our stores on various online marketplaces in the Japanese market. During the Track Record Period, Carote Japan mainly purchased kitchenware products from Zhejiang Carote. Additionally, there were certain two-way goods sell-buy transactions between Carote Japan and Carote Global for the purpose of managing inventory levels and meeting sales needs.

Carote USA, our operating subsidiary in the United States, is the registered owner and operator of our stores on various online marketplaces in the U.S. market. During the Track Record Period, Carote USA mainly purchased kitchenware products from Zhejiang Carote and Carote Global. Additionally, Carote USA and Carote Global engaged in two-way goods sell-buy transactions to manage inventory levels and meeting sales needs.

In 2021, 2022 and 2023, the Covered Transactions amounted to RMB44.9 million, RMB134.7 million, and RMB614.7 million, respectively.

Transfer pricing Assessment

The Organization for Economic Co-operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which are generally followed by, or are consistent with the relevant tax jurisdictions involved in the intra-Group transactions including Hong Kong, the PRC, Japan, and the United States. According to the OECD Transfer Pricing Guidelines, the intra-group transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions.

We have engaged an independent transfer pricing consultant, Acclime Tax Advisory (Hong Kong) Limited, (the "**Transfer Pricing Advisor**") to conduct benchmarking studies on the Covered Transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline. Our Transfer Pricing Advisor determined that the transactional net margin method was the most appropriate transfer pricing methods to assess whether the transfer pricing arrangements related to the Covered Transactions were consistent with the arm's length principle. A range of reasonable profit level was determined by reference to the range of reasonable profit level derived by comparable companies (the "**Comparable Profit Level Range**").

The Transfer Pricing Advisor has applied both quantitative and qualitative criteria to select comparable companies.

The Transfer Pricing Advisor has selected the total costs plus markup and operating profit margin of uncontrolled third-party comparable companies as the profit level indicator to provide a basis for the analysis of the controlled intra-group transactions for provision of business operation services and sales of kitchenware respectively.

According to the OECD Transfer Pricing Guidelines, if the profit level of an entity is not based on the arm's length price, it is necessary to consider whether any adjustment in the profit of the tested entity shall be made to achieve the profit level that is comparable with that under the arm's length principle. Based on the benchmark studies, the profit levels of Carote Global, Hangzhou Carote Trading, Carote (Shenzhen) Trading during the Track Record Period were either higher or lower (as applicable) than the relevant Comparable Profit Level Range. Upon considering the findings of the benchmarking study and the advice of the Transfer Pricing Advisor, we made certain voluntary transfer pricing adjustments to ensure our intra-group transactions align with arm's length principle (the "**Transfer Pricing Adjustments**").

Our Transfer Pricing Advisor is of the opinion that our transfer pricing arrangement, after the Transfer Pricing Adjustments, aligns with the arm's length principle according to the OECD Transfer Pricing Guidelines.

Tax Implication and Compliance

As a result of the Transfer Pricing Adjustments, we recorded tax provisions for PRC enterprise income tax of RMB1.4 million, RMB3.2 million and RMB12.6 million in 2021, 2022, and 2023, respectively. However, there is no assurance that the relevant PRC authorities will not challenge our transfer pricing arrangement or the Transfer Pricing Adjustments. Furthermore, our tax provisions arising from the Transfer Pricing Adjustments may be deemed insufficient by the relevant authorities, and thus we might be required to make additional tax payments. See "Risk Factors — Risks Relating to Our Business and Industry — Our tax provisions arising from the Transfer Pricing Adjustments may not be sufficient and we may be subject to additional tax exposure." If necessary, we will consider consulting with relevant authorities regarding the potential implications, if any, arising from the Transfer Pricing Adjustments.

Although benchmarking studies conducted in accordance with OECD Transfer Pricing guidelines would generally be followed by all tax jurisdictions involved in the Covered Transactions, it does not have binding effect on any local taxation authorities in the event of transfer pricing controversy. See "Risk Factors — Risks Relating to Our Business and Industry — Our international operations may be subject to transfer pricing adjustments by competent authorities."

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiries, audit, investigation or challenge by any relevant tax authorities in Hong Kong, the PRC, the United States, and Japan in relation to the Covered Transactions.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Effective risk management is crucial to our operations. We have adopted a comprehensive risk management framework to effectively address the various risks associated with our operations. This includes mitigating operational risks such as economic changes in target markets, competition, growth management, and regulatory compliance. Additionally, we proactively manage market, strategic, financial, human resource, and legal risks. By implementing this framework, we ensure business resilience in an ever-changing environment.

Risk Management Structure

In our risk management structure, the general manager is accountable to the Board of Directors for the effectiveness of the system. The general manager, or a designated senior manager, oversees the daily operations of risk management.

Our risk management integrates centralized and specialized management for different risk categories: the senior management team acts as the central risk management unit, while individual departments and subsidiaries manage their specific risks. The audit department, functioning as the primary risk management unit at the Group level, holds key responsibilities including, among others:

- preparing and presenting risk management reports;
- assessing significant cross-departmental risks and proposing management strategies;
- evaluating the effectiveness of risk management practices and suggesting improvements; and
- guiding and supervising risk management efforts across departments and subsidiaries.

Other departments and business units follow the audit department's guidelines and supervision in their risk management activities. This ensures a uniform application of risk management principles across the organization and facilitates effective communication and coordination in managing cross-functional risks.

Risk Assessment

To effectively implement comprehensive risk management, each department collect risk-related information, including both historical data and future projections. The data collection covers strategic, market, operational, and financial risks. Risk assessments are then conducted on both the collected risk management information and on all aspects of our business management. Key aspects of this process include:

- Departments undertake risk assessments tailored to the nature of their specific operational risks and maintain comprehensive documentation throughout the assessment.

- Each department documents their assessments, detailing assumptions, methodologies, sources, and outcomes, to provide a transparent and thorough understanding of the risk process, and facilitate risk identification, analysis, and evaluation.

- The audit department is crucial in maintaining a corporate risk record. It differentiates between various risk sources and categories, and employ a combination of qualitative, quantitative, and semi-quantitative measures to assess risks and develop solutions.

Risk Control Measures

Following the outcomes of risk assessments, we implement specific risk control plans and measures for each identified significant risk. These plans usually include clear objectives for mitigating risks, the required organizational leadership, and the relevant management and business processes, along with necessary conditions, means, and other resources. Our approach includes specific control measures before, during, and after a risk event. The principal elements of our control measures involve establishing an inspection mechanism within the audit department, creating an internal control assessment and evaluation system, and developing an early warning system for significant risks.

Internal Controls

Our Board of Directors is responsible for establishing and assessing the effectiveness of our internal control system, which includes the implementation of a range of policies and measures designed to maintain the integrity and efficiency of our operations. Additionally, we are committed to providing regular compliance training for our Directors, senior management, and employees, enabling them to proactively identify and address any potential compliance issues.

We have established comprehensive internal control policies that cover all major aspects of our business operations, including, among others, financial reporting and control, asset management, procurement and inventory processes, and risk management. These policies are designed to:

- ensure segregation of duties by clearly defining roles within financial and accounting management, as well as other departments, to prevent compliance issues such as conflicts of interest and fraud;
- implement authorization and approval mechanisms across our funds and bills management, financing, investment, and reimbursement policies, requiring managerial oversight for significant transactions and expenditures;
- enforce physical control to safeguard our fixed assets and inventory, complemented by specific control policies for warehouse and seal management;
- implement documentation and record-keeping controls to ensure compliance and traceability, particularly in our contract and asset management;
- promote a culture of ethical compliance through anti-corruption, anti-bribery, and anti-fraud policies and measures;
- embed internal control procedures within our insurance, claims, and risk management policies to proactively identify and mitigate potential threats; and
- conduct periodic reviews and internal audits, as part of our compliance management system, to continuously assess the effectiveness of our internal controls.

PROPERTIES

As of the Latest Practicable Date, we held ownership of one story in an office building located in Yongkang, the PRC with an aggregate GFA of 1,193.34 square meters, which was not in use.

As of the Latest Practicable Date, we leased certain properties in the PRC with a total GFA of 16,206.96 square meters, including (i) a property located in Hangzhou with an aggregate GFA of 1,473.5 square meters, which serves as our corporate headquarters, (ii) a warehouse located in Yongkang with an aggregate GFA of 14,000 square meters, and (iii) certain other properties leased for office use by our PRC subsidiaries.

As of December 31, 2023, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Documentes from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LICENSES, PERMITS AND CERTIFICATES

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from the relevant government authorities that are material for our business operations.

We have not experienced any material difficulties in renewing material licenses, permits or certificates during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in renewing them upon their expiry, if applicable, as long as we comply with the relevant legal requirements and all necessary steps to submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for non-compliance relating to material licenses, permits or certificates. For more information about the laws and regulations to which we are subject, see "Regulatory Overview".

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may become involved in legal proceedings or disputes in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings which, in our opinion, would have a material adverse effect on our business, results of operations, or financial condition. For potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to regulatory actions, legal proceedings, disputes, and other liabilities in our ordinary course of business."

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations relating to our operations in all material aspects in jurisdictions where we operate our business.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhang and Ms. Lyu are interested in and control, through various intermediary entities (being Yili Capital, Guodong Capital, Yili Investment and Carote CM, collectively, the "**Intermediary Shareholders**"), an aggregate of 99% of the issued share capital in our Company.

Upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang and Ms. Lyu will be indirectly interested in and control, through the Intermediary Shareholders, an aggregate of **[REDACTED]** of the issued share capital in our Company.

Accordingly, immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang, Ms. Lyu and Intermediary Shareholders will be a group of Controlling Shareholders, which will be interested in and will control **[REDACTED]** of the issued share capital in our Company. For the background of Mr. Zhang and Ms. Lyu, see "Directors and Senior Management".

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon **[REDACTED]**, our Board will consist of six (6) Directors comprising three (3) executive Directors and three (3) independent non-executive Directors. For more information, see "Directors and Senior Management" in this document.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

(a) Yili Capital, Guodong Capital, Yili Investment and Carote CM are all investment holding companies without any business operations;

(b) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(c) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(d) we have three (3) independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested in except for certain circumstances as set out in the Articles. For details, see "Appendix III — Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands".

(f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures" for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We operate independently of our Controlling Shareholders. Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our clients and an independent management team to operate our business.

Leasing properties from Zhejiang Leshengen

We have been leasing certain premises from Zhejiang Leshengen, a company controlled by Mr. Zhang and Ms. Lyu, as a warehouse for storage of our products during the Track Record Period and expect to continue leasing such premises after completion of the **[REDACTED]** to avoid unnecessary relocation costs, costs associated with looking for new premises and with being involved in prolonged negotiations of lease agreements with third party properties' owners. This lease, being the Zhejiang Leshengen Lease, is recognized on our statement of financial position as right-of-use assets under HKFRS 16 (Leases). As such, such lease transaction constitutes a one-off connected transaction of our Company upon **[REDACTED]**. For further details of the Zhejiang Leshengen Lease, see "Connected Transactions — One-off Connected Transaction".

Our Company is of the view that the Zhejiang Leshengen Lease will not affect our operational independence, on the basis of the following:

(a) the risk that the ongoing leases will be terminated and that we will be forced to relocate is extremely low given that as the Zhejiang Leshengen Lease was entered into by the parties after arm's length negotiations and on normal commercial terms with reference to prevailing market rates for properties of similar size situated in the general locality that are used for similar purposes in the PRC, and as such Zhejiang Leshengen does not have the motivation to terminate the leases recklessly; and

(b) in the unlikely event that Zhejiang Leshengen terminates the Zhejiang Leshengen Lease with us and we are required to lease alternative premises for warehouse purpose, we expect that there will not be any substantive hurdle for us to find alternative premises in the locality with comparable rental rates.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates as of the Latest Practicable Date.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the **[REDACTED]**.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interest. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of his associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Caitong International Capital Co., Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the **[REDACTED]**.

ONE-OFF CONNECTED TRANSACTION

Background

As of the Latest Practicable Date, Zhejiang Leshengen is controlled by Mr. Zhang and Ms. Lyu, being our Controlling Shareholders, who together directly and through Zhejiang Shengen, Kesheng Technology and Legang Technology hold 100% of the registered share capital of Zhejiang Leshengen. As such, Zhejiang Leshengen is an associate of Mr. Zhang and Ms. Lyu, and therefore a connected person of our Company under the Listing Rules.

We have entered into a lease agreement with Zhejiang Leshengen effective from October 1, 2023 (the "**Zhejiang Leshengen Lease**"), which constitutes a one-off connected transaction of our Company.

Principal terms

Pursuant to the Zhejiang Leshengen Lease, Zhejiang Carote as tenant has agreed to lease from Zhejiang Leshengen as landlord certain premises as a warehouse for storage of our products for a fixed term from October 1, 2023 to September 30, 2026 (inclusive), at an annual rental of RMB2.1 million, payable annually. Such rentals were determined by Zhejiang Leshengen and Zhejiang Carote through arm's length negotiations with reference to prevailing market rates for properties of similar size situated in the general locality that are used for similar purposes in China. The Zhejiang Leshengen Lease may be renewed by Zhejiang Carote with the provision of written notice to Zhejiang Leshengen at least one month prior to expiry of the said lease. The leased premises under the Zhejiang Leshengen Lease are located at Floor 1–2, Building No. 2, Shangbazhao Factory Building, Jiangnan Street, Yongkang City, Zhejiang Province, China, with a gross floor area of 14,000 square meters (the "**Premises**"). The Premises are constructed on the Yongkang Land Parcel held by Zhejiang Leshengen.

Reasons and benefits of the transaction

In light of the additional demand of warehouse for storage of our products before certain sales events organized by our channels, Zhejiang Carote leased the Premises from October 1, 2023 up to the Latest Practicable Date. The leasing of the Premises can reduce our costs associated with looking for new premises and with being involved in prolonged negotiations of lease agreements with third party properties' owners. In addition, any relocation may cause unnecessary disruption to our business operations and cause us to incur unnecessary costs. In light of the foregoing, our Directors are of the view that the Zhejiang Leshengen Lease has been entered into in the ordinary and usual course of business of our Company and on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole. Notwithstanding the above, the Zhejiang Leshengen Lease does not affect our operational independence. For further details, see "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence".

Accounting treatment and Listing Rules implications

In accordance with HKFRS 16 applicable to our Group and pursuant to the guidance issued by the Stock Exchange, when an issuer enters into a lease transaction as a lessee and where the lease is subject to an agreement with fixed terms, it is treated as a one-off transaction (i.e., an acquisition of capital assets). As such, the transaction under the Zhejiang Leshengen Lease will be recognized as acquisitions of right-of-use assets and constitutes a one-off transaction of our Company before the **[REDACTED]** and will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the reporting, annual review, announcement, circular and independent shareholders' approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Zhejiang Leshengen Lease.

As of December 31, 2023, the value of right-of-use assets we recognized on our balance sheet arising from leasing the Premises was RMB5,684,000.

AUTHORISED AND ISSUED SHARE CAPITAL

The following table illustrates the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**:

Authorised share capital:		*US$*
[500,000,000]	Shares of par value of US$[0.0005] each ***(To be enlarged prior to* [REDACTED]*)***	[250,000.0]
Issued and to be issued, fully paid or credited as fully paid:		
[405,658,600]	Shares in issue at the date of this document	[202,829.3]
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Shares in total**	**[REDACTED]**

The following table illustrates the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the **[REDACTED]** (assuming the **[REDACTED]** is exercised in full):

Authorised share capital:		*US$*
[500,000,000]	Shares of par value of US$[0.0005] each ***(To be enlarged prior to* [REDACTED]*)***	[250,000.0]
Issued and to be issued, fully paid or credited as fully paid:		
[405,658,600]	Shares in issue at the date of this document	[202,829.3]
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the exercise of the **[REDACTED]** in full	**[REDACTED]**
[REDACTED]	**Shares in total**	**[REDACTED]**

RANKING

The **[REDACTED]** will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this document and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon completion of the **[REDACTED]**, our Company has only one class of Shares, namely ordinary shares, and each rank pari passu with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into shares of larger amounts; (iii) subdivide its Shares into shares of smaller amounts; (iv) cancel any Shares which have not been taken; (v) divide its unissued Shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (vi) make provision for the allotment and issue of Shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and/or (viii) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. See "Appendix III — Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands".

General Mandate to Issue Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the **[REDACTED]**; and

- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "— General mandate to repurchase Shares".

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; and
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Appendix IV — Statutory and General Information — Further Information about Our Group — (c) Resolutions of Our Shareholders" for further details of this general mandate to allot, issue and deal with Shares.

General Mandate to Repurchase Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the total number of our Shares in issue immediately following the completion of the **[REDACTED]**.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are **[REDACTED]** (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, see "Appendix IV — Statutory and General Information — Further Information about Our Group — (f) Repurchase of Our Own Securities".

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; and
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Appendix IV — Statutory and General Information — Further Information about Our Group — (c) Resolutions of Our Shareholders" for further details of this general mandate to repurchase Shares.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares as of the Latest Practicable Date	Number of Shares upon Completion of the [REDACTED]	Approximate Percentage of Shareholding in Our Company upon the Completion of the [REDACTED] (Assuming the [REDACTED] is not Exercised)	Approximate Percentage of Shareholding in Our Company upon the Completion of the [REDACTED] (Assuming the [REDACTED] is Fully Exercised)
Mr. Zhang[2, 3]	Interest in a controlled corporation; interest of spouse	[401,602,000]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Lyu[2]	Interest in a controlled corporation; interest of spouse	[400,000,000]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Yili Investment	Beneficial interest	[400,000,000]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Yili Capital[2]	Interest in a controlled corporation	[400,000,000]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Guodong Capital[2, 3]	Interest in a controlled corporation	[401,602,000]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) This includes [400,000,000] Shares held by Yili Investment. Yili Investment is held as to 55% by Yili Capital and 45% by Guodong Capital, whereas Yili Capital is in turn wholly-owned by Ms. Lyu and Guodong Capital is in turn wholly-owned by Mr. Zhang. Each of Mr. Zhang, Ms. Lyu, Guodong Capital and Yili Capital is deemed to be interested in the same number of Shares that are held by Yili Investment under the SFO.

(3) This includes [1,602,000] Shares held by Carote CM, whereby its general partner Guodong Capital is a company wholly-owned by Mr. Zhang. Each of Guodong Capital and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Carote CM under the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OVERVIEW

Our Board of Directors comprises six (6) Directors, including three (3) executive Directors and three (3) independent non-executive Directors. The Board is responsible for and has the general power over the management and operation of the business of the Company, including determining business strategies and investment plans, implementing resolutions passed at the general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on internal control and compliance with legal and regulatory requirements. Our executive Directors and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles.

Our senior management is currently comprised of two (2) members who are responsible for the day-to-day management and operation of the Company.

DIRECTORS

The following table sets out information in respect of the Directors of our Company:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. ZHANG Guodong (章國棟).	36	Executive Director, chairman of the Board and chief executive officer	Formulating the overall corporate and business strategies and overseeing the daily operation of our Group	July 2011	February 2023
Ms. LYU Yili (呂伊俐)	36	Executive Director and chief product officer	Overseeing daily operations and product development	April 2011	February 2023
Mr. XIA Chenhao (夏宸顥) . .	29	Executive Director and chief operating officer for China	Overseeing the business development and operation of our Group in China	October 2018	March 2024
Ms. YEUNG Shuet Fan Pamela (楊雪芬)	50	Independent non-executive Director	Supervising and providing independent judgment to the Board	**[REDACTED]**	**[REDACTED]**
Dr. CHAN Tin Wai David (陳天衛).	59	Independent non-executive Director	Supervising and providing independent judgment to the Board	**[REDACTED]**	**[REDACTED]**

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. FAN Kaizhao (樊開召) . .	41	Independent non-executive Director	Supervising and providing independent judgment to the Board	**[REDACTED]**	**[REDACTED]**

Executive Directors

Mr. Zhang Guodong

Mr. Zhang Guodong (章國棟), aged 36, is the chairman of our Board, executive Director and chief executive officer. Mr. Zhang has over 12 years of experience in the industry from working within our Group. Mr. Zhang joined our Group in July 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as sales manager from July 2011 to June 2014, production manager from July 2014 to June 2016, product manager for cookware from July 2016 to April 2019, and then as director and chief executive officer from April 2019 up to the present. He was appointed as our Director in February 2023 and was re-designated as an executive Director and chairman of the Board in March 2024, and was appointed as chief executive officer of our Company in March 2024. Mr. Zhang is responsible for formulating the overall corporate and business strategies and overseeing the daily operations of our Group.

Mr. Zhang received his bachelor's degree in marketing in March 2010 from Griffith University, Australia. Mr. Zhang is the husband of Ms. Lyu, one of our executive Directors.

Ms. Lyu Yili

Ms. Lyu Yili (呂伊俐), aged 36, is our executive Director and chief product officer. Ms. Lyu has over 10 years of experience in the industry from working within our Group. Ms. Lyu joined our Group in April 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as product manager overseeing the general design and production of products. Since 2021, Ms. Lyu has started focusing and overseeing the design and development of drinkware. She was appointed as a Director in February 2023 and re-designated as an executive Director in March 2024. She was also appointed as our chief product officer in March 2024. Ms. Lyu is responsible for overseeing the daily operations and product development of our Group.

Ms. Lyu received her bachelor's degree in accounting in July 2010 from Griffith University, Australia. Ms. Lyu is the wife of Mr. Zhang, one of our executive Directors.

Mr. Xia Chenhao

Mr. Xia Chenhao (夏宸顥), aged 29, is our executive Director and chief operating officer for China. Mr. Xia has over five years of experience in the industry from working within our Group. Mr. Xia joined Zhejiang Carote in October 2018 and has been our Tmall manager since then. He was appointed as our executive Director and chief operating officer for China in March 2024. Mr. Xia is responsible for overseeing the business development and operation of our Group in China.

Prior to joining our Group, from April 2018 to October 2018, Mr. Xia worked for Dianjing Network Holding Co., Ltd. (點晶網絡股份有限公司), a company principally engaged in providing integrated e-commerce services including brand retail, channel distribution and brand operations.

Mr. Xia received his bachelor's degree in e-commerce in June 2017 from Zhejiang Wanli University (浙江萬里學院), China. He is in the course of obtaining an executive master of business administration degree from the Tongji University — University of Texas Arlington EMBA program organized by Tongji University (同濟大學) and the University of Texas Arlington, having commenced his studies in October 2023.

Independent non-executive Directors

Ms. Yeung Shuet Fan Pamela

Ms. Yeung Shuet Fan Pamela (楊雪芬), aged 50, is our independent non-executive Director. She is responsible for supervising and providing independent judgment to the Board.

Ms. Yeung is a capital markets and structured products specialist with over 15 years of experience in investment banking. Ms. Yeung began her career in capital markets investment banking and had since served in multiple relevant positions in a number of leading international investment banks prior to joining the Arta TechFin group in 2021 as the head of corporate finance. From June 2017 to May 2021, Ms. Yeung served as a managing director of Barclays Capital Asia Limited. From 2014 to 2015, Ms. Yeung served as a managing director and global head of Equity Linked Solutions of Standard Chartered Bank (Hong Kong) Limited. From June 2007 to April 2014, Ms. Yeung was a director of Asia Pacific Equity Capital Markets, Hong Kong Department at Citigroup Global Markets Asia Limited.

Ms. Yeung also has solid experience in serving on the board of directors in a Hong Kong listed company. Ms. Yeung served as executive director of Arta TechFin Corporation Limited, a company listed on the Stock Exchange (stock code: 279) from November 2021 to September 2023 and its chief financial officer from November 2022 to September 2023.

Ms. Yeung received her bachelor's degree in business administration from the University of Southern California in the United States in December 1996.

Dr. Chan Tin Wai David

Dr. Chan Tin Wai David (陳天衛), aged 59, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

Dr. Chan has over 30 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resource functions and legal matters. He possesses appropriate accounting and related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. He had worked in several multi-national and Hong Kong blue chip companies. Dr. Chan worked in CITIC Pacific Limited (now known as CITIC Limited, a company listed in the Stock Exchange (stock code: 267)) during the period from December 1994 to May 2000 and he was the deputy general manager of the financial control department prior to his departure. From July 2001 to October 2005, he served as the chief financial officer and company secretary of Frasers Property (China) Limited (now known as Gemdale Properties and Investment Corporation Limited), a company listed on the Stock Exchange (stock code: 535). From June 2006 to August 2019, Dr. Chan served as the executive director and chief financial officer of CITIC Telecom International Holdings Limited, a company listed on the Stock Exchange (stock code: 1883) principally engaged in internet-oriented telecommunications comprehensive services. Since March 2023 and until present, Dr. Chan has been the chief financial officer of Human Health Holdings Limited, a company listed on the Stock Exchange (stock code: 1419), where he is responsible for overseeing financial, compliance, risk and human resources management matters.

Dr. Chan obtained his Bachelor of Laws and Master of Laws from the University of London in the United Kingdom in August 1999 and November 2001, respectively. He also obtained a Master of Accounting from Curtin University in Australia in July 1997 and a Doctor of Business Administration from the University of Newcastle in Australia in May 2007. He was admitted as a fellow member of the Institute of Chartered Accountants in England and Wales in August 2019, a fellow member of the Association of Chartered Certified Accountants in November 1995, a fellow member of the Hong Kong Institute of Certified Public Accountants in March 1999, a fellow member of the Chartered Governance Institute (CGI) (formerly known as the Institute of Chartered Secretaries and Administrators) in August 2004, a fellow member of the Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries) in August 2004 and a fellow member of the Taxation Institute of Hong Kong July 1999.

Mr. Fan Kaizhao

Mr. Fan Kaizhao (樊開召), aged 41, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

Mr. Fan has over 15 years of experience in accounting, finance and internal control matters (with over two years of solid experience in the e-commerce industry) and possesses appropriate accounting and related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. From August 2005 to July 2011, he worked in PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)), and from September 2011 to June 2015, he rejoined the same firm as a manager. From July 2015 to September 2017, he was an internal audit director at Eddingpharm (China) Co., Ltd. (億騰醫藥(中國)有限公司), a company principally engaged in the trading of pharmaceutical products. Between September 2017 and November 2020, Mr. Fan was the senior internal control specialist at Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a leading digital platform company listed on the New York Stock Exchange (stock code: BABA) and the Stock Exchange (stock code: 9988). Between November 2020 and May 2022, Mr. Fan served as the chief financial officer of Jingzhou Huoli Erba Jiahua Co., Ltd.* (荊州市活力二八家化有限公司), a company principally engaged in the production of daily chemical and retail products. From June 2022 to November 2022, served as the chief financial officer at Shanghai Shawya Biotechnology Corp., Ltd.* (上海蕭雅生物科技股份有限公司), the shares of which were once listed on the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統) (stock code: 839735). Since April 2023 and until present, Mr. Fan serves as senior financial expert of Zhejiang Fliggy Network Technology Co., Ltd.* (浙江飛豬網絡技術有限公司), a leading online travel platform under Alibaba group.

Mr. Fan received his bachelor's degree in economics (majoring in international economics and trade) in December 2005 from Fudan University (復旦大學). He was admitted as a member of Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in August 2015 and as a chartered certified accountant by the Association of Chartered Certified Accountants (ACCA) in May 2010.

Save as disclosed above, none of our Directors holds any other directorships in public companies the securities of which are listed on any securities market in Hong Kong SAR or overseas during the three years immediately preceding the date of this document. See "Appendix IV — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders" for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

As of the Latest Practicable Date, none of our Directors have any interest in any business, which compete or is likely to compete, either directly or indirectly, with our Group's business.

Save as disclosed above, none of our Directors had other relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date.

Save as disclosed in this document, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below includes certain information in respect of the senior management of our Company (other than our executive Directors):

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Ms. MENG Haifang (孟海方)	36	Financial director	Responsible for overseeing our Group's finance, investments and capital market activities	July 2020
Ms. XUE Yun'er (薛芸兒)	30	Chief operating officer for North America	Responsible for overseeing our Group's operations in North America	March 2019

Our senior management team comprises of our three (3) executive Directors and two other senior management members, being Ms. Meng and Ms. Xue. For the biographies of our executive Directors, see "— Directors — Executive Directors".

Ms. Meng Haifang

Ms. Meng Haifang (孟海方), aged 36, is the financial director of our Group. Ms. Meng first joined our Group as financial manager of Zhejiang Carote in July 2020, and has served in this position up to present. She was appointed as our Group's financial director in March 2024.

Prior to joining our Group, Ms. Meng worked in Shaoxing Keqiao Yamei Biochemical Co., Ltd.* (紹興柯橋亞美生物化工有限公司), a company principally engaged in the manufacturing industry, from July 2011 to March 2013. From July 2013 to August 2016, Ms. Meng worked in Zhejiang Yuewang Jewelry Co. Ltd (浙江越王珠寶有限公司), a company principally engaged in the business of jewelry retail. From November 2018 to February 2020, Ms. Meng worked in Shenzhen Jinyi Cultural Development Co., Ltd (深圳金一文化發展有限公司), a company principally engaged in the business of supply chain services for jewelry and gold products.

Ms. Meng received her bachelor's degree in accountancy from the Nanjing University of Finance and Economics, China, in June 2011. She received her certification as an intermediate accountant from the Ministry of Human Resources and Social Security and the Ministry of Finance of the People's Republic of China in September 2018.

Ms. Xue Yun'er

Ms. Xue Yun'er (薛芸兒), aged 30, is the chief operating officer for North America of our Group. She has over six years of experience in the e-commerce industry. Ms. Xue joined our Group in March 2019 as a manager for our Group's operations in Malaysia, until May 2020. From May 2020 to December 2020, she was the manager of our Group's Southeast Asia operations, from January 2021 to December 2021, she was the manager of our Group's operations in all of the Asia Pacific (other than China) and from December 2021 to December 2022, she was the manager for our Group's North America operations. Her responsibilities for these positions included promotion of the Group's online business in the relevant countries or jurisdictions, as well as the operation of e-commerce platforms and overseeing product launches. In January 2023, she became the chief operating officer for our Group's operations in North America and remained in this position up to the present.

Prior to joining our Group, from September 2017 to June 2018, Ms. Xue worked in the brand operations department of Hangzhou Dilxi Fashion Technology Co., Ltd.* (杭州迪爾西時尚科技有限公司), a company which is principally engaged in the business of fashion e-commerce.

Ms. Xue obtained her bachelor's degree in English from China Jiliang University's College of Modern Science and Technology, China, in June 2015. She completed her advanced training course in business administration at Zhejiang University in March 2023.

COMPANY SECRETARY

Ms. Chan Yuen Mui (陳婉梅) was appointed as our company secretary in March 2024 with effect from **[REDACTED]**. Ms. Chan is a manager of Governance Services of Computershare Hong Kong Investor Services Limited. She has over 15 years of experience in corporate secretarial and commercial administration fields. She obtained a Bachelor of Business Administration degree with Honours from Hong Kong Baptist University and a Master of Corporate Governance degree from the Hong Kong Polytechnic University. Ms. Chan is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She possesses the academic and professional qualifications of a company secretary as required under Rule 3.28 of the Listing Rules.

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with the respective terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely Ms. Yeung Shuet Fan Pamela, Dr. Chan Tin Wai David and Mr. Fan Kaizhao. Mr. Fan Kaizhao, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee comprises one executive Director, namely Mr. Zhang, and two independent non-executive Directors, namely Ms. Yeung Shuet Fan Pamela and Dr. Chan Tin Wai David. Dr. Chan Tin Wai David is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director, namely Ms. Lyu, and two independent non-executive Directors, namely Ms. Yeung Shuet Fan Pamela and Mr. Fan Kaizhao. Ms. Yeung Shuet Fan Pamela is the chairman of the committee.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code, which set out principles of good corporate governance. For further information relating to our Company's corporate governance measures, see "Relationship with our Controlling Shareholders — Corporate Governance Measures".

Chairman of the Board and Chief Executive Officer

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the **[REDACTED]** save for the below.

Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. Our Company deviates from this provision because Mr. Zhang performs both the roles of the chairman of the Board and the chief executive officer of our Company. As Mr. Zhang has served the Group since July 2011 and has provided strategic guidance and leadership throughout the Track Record Period, our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

The Nomination Committee is responsible for reviewing the diversity of the Board. After **[REDACTED]**, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. At present, two of our Directors are female. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

DIRECTOR'S REMUNERATION

Our Directors and senior management receive remuneration, which mainly consists of basic salaries, contributions to social insurance and housing funds, discretionary bonus and share-based compensation, and is consistent with prevailing market standards.

The aggregate amount of remuneration (including, among others, basic salaries, housing allowances, other allowances and benefits in kind, contributions to social insurance and housing funds and discretionary bonus) for our Directors for the years ended December 31, 2021, 2022 and 2023 was approximately RMB74,000, RMB209,000 and RMB351,000, respectively. None of our Directors waived any remuneration during the aforesaid periods. Our Directors are of the view that the amount of remuneration would not have material adverse impact on the Group's financial performance.

For each of the years ended December 31, 2021, 2022 and 2023, the five highest paid individuals of our Group did not include any Directors. For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the five, five and five highest paid individuals who are not our Directors were approximately RMB2.4 million, RMB3 million and RMB4.6 million, respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, see "Appendix I — Note 9 of the Accountants' Report".

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

After the **[REDACTED]**, the executive Directors' remuneration will comprise of a fixed amount of RMB240,000 per year, and performance-based compensation linked to certain key performance indicators. The specific terms of the key performance indicators will be determined by the Board each year with reference to the Group's development strategies. The independent non-executive Directors' remuneration will be a fixed amount of HK$240,000 per year, respectively.

COMPLIANCE ADVISOR

We have appointed Caitong International Capital Co., Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the **[REDACTED]** and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CORNERSTONE INVESTORS

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You should read the following discussion and analysis in conjunction with the consolidated financial statements, including the notes thereto, included in the Accountants' Report in Appendix I to this document and the selected historical financial information presented elsewhere in this document. Our consolidated financial statements were prepared in accordance with HKFRSs.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on the assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results are based on the assumptions about our business and may differ materially from those anticipated in the forward-looking statements due to certain factors, including those set out in the sections entitled "Forward-Looking Statements", "Risk Factors", and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in "Industry Overview".

OVERVIEW

We are a rising global lifestyle brand for kitchenware products. Founded in 2016, our brand "CAROTE" is committed to offering self-designed kitchenware and dining products that combine quality, innovative functions, and stylish designs at highly accessible prices. By combining our extensive industry expertise from years in the kitchenware sector with a dynamic online retail model designed for speedy global expansion, we have established a prominent presence in the online kitchenware segment across various key markets, including China, the United States, Western Europe, Southeast Asia, and Japan. CAROTE has emerged as one of the fastest-growing brands in the global kitchenware market.

Our rapid international expansion is strategically supported by our effective and scalable online operations. Through collaborating with major e-commerce platforms across various countries and regions, we efficiently tap into vast consumer bases in key markets worldwide, facilitating global availability of our products at relatively low cost. Since our branded product first entered the international market in 2017, we have expanded our online presence to include a total of 51 self-operated online stores across 22 online marketplaces in 20 geographic markets as of the Latest Practicable Date. Leveraging China's position as a prominent kitchenware manufacturing hub, we run an asset-light operation through strategic outsourcing of production, capitalizing on the expertise and efficiency of our supply chain. This advantage allows us to consistently deliver popular and innovative products while maintaining cost-effectiveness, driving our financial success.

Benefiting from our rapid growth in online kitchenware markets of various countries and regions, both our revenue and net profit have experienced a significant rise during the Track Record Period. Our revenue increased from RMB675.3 million for 2021 to RMB1,583.1 million for 2023, representing a CAGR of 53.1%, of which revenue from our branded business increased at a CAGR of 120.7% from RMB283.3 million for 2021 to RMB1,379.9 million for 2023. Our net profit increased at a CAGR of 173.1% from RMB31.7 million for 2021 to RMB236.5 million for 2023.

RECENT DEVELOPMENTS

Our business continued to expand after December 31, 2023. In the two months ended February 29, 2024, our sales grew substantially compared to the same period in 2023. In particular, our overseas sales more than doubled, primarily driven by increased customer demand and our enhanced brand recognition in the United States and Western Europe. We also continued developing new products and launched over 190 new SKUs in January and February 2024.

On March 4, 2024, we declared a dividend to our then shareholders of RMB100.0 million, which is expected to be paid by cash from our internal resources before the **[REDACTED]**.

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2023, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this document.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our historical financial information has been prepared on a historical cost basis, except for: (i) certain financial assets and liabilities, certain classes of property, plant and equipment, and investment property that are measured at fair value; (ii) assets held for sale that are measured at fair value less cost to sell; and (iii) defined benefit pension plans that are plan assets measured at fair value. In preparation of the historical financial information, all of the new accounting standards, amendments to accounting standards and interpretations that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period.

We have not early adopted certain new accounting standards, amendments to accounting standards and interpretations that have been issued but are not mandatory for the Track Record Period. We have commenced an assessment of the impact of these amendments to accounting standards on our results of operations and financial position. However, none of the above amended standards and amendments to standards is expected to have a significant effect on our financial statements. See note 2.1 to the Historical Financial Information in the Accountants' Report included in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the followings are the key factors that have affected and will continue to affect our business, results of operations, and financial condition:

Our Product Offerings and Pricing

We sell a broad range of self-designed cookware, kitchen utensils, drinkware, and other products worldwide under our brand "CAROTE". Our product offerings are distinguished by a combination of quality, functionality, aesthetical appeal, and accessible prices. As innovation and trendy designs are two of our most prominent features, our ability to accurately identify and anticipate market trends and consumer preferences in a timely manner and adjust our product offerings accordingly is of great importance to our business performance. To maintain our growth momentum, we must continue to innovate and develop high-quality, well-designed products that cater to the latest trends and consumer tastes. Failure to respond timely to shifts in market trends and consumer preferences could result in products that fail to achieve expected sales levels, obsolete inventories, and decreased brand popularity. Such failures could lead to a reduction in our profitability, which may in turn have a material adverse effect on our business, results of operations, and financial condition. See "Risk Factors — Risks Related to Our Business and Industry — Our success is dependent on the continued popularity of our products, successful launches of new products, and our ability to anticipate and respond to changes in consumer preferences in a timely manner."

We have adopted a market-oriented pricing strategy to offer products at competitive prices to customers. We consider a number of factors in determining the selling prices of our products, including our target customer profiles, prices of comparable products, competitive landscape of our products, and the pricing policies of third-party e-commerce platforms. However, numerous external factors, such as market and economic conditions and technological advancements, can influence our pricing strategy. Consequently, we may not always be able to maintain competitive pricing. Any material changes in our pricing policy, whether through our own initiatives or compelled by external factors beyond our control, may have a material impact on our business, results of operations, and financial condition.

Our Relationship with Third-Party E-Commerce Platforms

As a brand focusing on online operations, we mainly sell our branded products through major third-party e-commerce platforms, such as Amazon and Tmall, to retail customers. Our revenue from sales through third-party e-commerce platforms amounted to RMB251.3 million, RMB503.2 million, and RMB1,362.5 million in 2021, 2022, and 2023, respectively, accounting for 37.2%, 65.5%, and 86.1% of our total revenue for the same year, respectively. Among these third-party e-commerce platforms, Amazon and Tmall were our two largest platforms during the Track Record Period. Our revenue from sales through Amazon and Tmall amounted to 27.4%, 48.1%, and 60.5% of our total revenue in 2021, 2022, and 2023, respectively. While we are selectively seeking to expand our presence in offline sales channels in order to complement our online operations and reach a wider customer base, we expect our sales through third-party e-commerce platforms to continue to contribute the majority of our total revenue in the foreseeable future. Our business, results of operations, and financial condition therefore rely substantially on, among other things, the strong and stable business relationship between us and such third-party e-commerce platforms.

Consumer Demand for Cookware Products

Our business growth and financial performance depend on consumer demand for quality cookware products. Our revenue from sales of cookware for our branded business amounted to RMB244.7 million, RMB444.6 million, and RMB1,237.7 million in 2021, 2022, and 2023, respectively, accounting for 86.4%, 83.8%, and 89.7% of our total revenue from branded business for the same year, respectively. We expect that sales of cookware will continue to contribute the majority of our total revenue from branded business in the foreseeable future. According to the CIC Report, the global cookware industry has experienced consistent growth over the past five years, having increased from US$26.8 billion in 2018 to US$29.9 billion in 2022. Driven by various factors including rising disposable income levels, increased emphasis on healthy dietary habits, growing consumer preference for cooking at home, and growing focus on aesthetic appeal, functionality, and trendiness in cookware, the market size of the global cookware industry is projected to reach US$35.0 billion in 2027, according to CIC. In addition, increased consumer preference for online shopping and the development of e-commerce platforms and supporting logistics infrastructure have accelerated the growth of online cookware sales around the world. In particular, China has become the largest online cookware market in the world due to its huge internet user base and well-developed online sales channels. We believe our business growth will continue to align with the expanding cookware market, driven by product upgrades and sales channel transformation. As we have established strong online presence across various geographic markets through our collaboration with multiple prominent e-commerce platforms such as Tmall, Amazon, and Shopee, we believe we are well positioned to capture the growth opportunities in the online cookware market. Capitalizing on our expanding sales network, diverse product portfolio, established custom base, and strong product development capabilities, we believe we will continue to benefit from the rising consumer demand for trendy, high value-for-price cookware products that combine aesthetic appeal and functionality.

Our Management of Supply-Related Costs

During the Track Record Period, cost of inventories represented the largest component of our cost of sales. Historically, we combined in-house manufacturing and outsourced production. In 2022, as our demand for production capacity increased due to business growth, we transitioned to a fully outsourced production model, outsourcing our entire production to third-party contract manufacturers. With the exception of coatings for our products, which we procure directly, all other raw materials and consumables required for production are sourced by our contract manufacturers. While we have developed stable partnerships with certain contract manufacturers who consistently demonstrate well-managed production and delivery, we have limited control over the operations of our contract manufacturers, and thus have limited control over their cost management and production efficiency. The cost of inventory, which includes the cost of inventories sold and the costs for raw materials and consumables for the finished products sourced from contract manufacturers, is subject to market forces. In 2021, 2022, and 2023, our cost of inventories amounted to RMB463.7 million, RMB392.8 million, and RMB741.9 million, respectively, accounting for 84.5%, 79.7%, and 72.9% of our total cost of sales for the same year, respectively. We expect cost of inventories to continue to be the most significant component of our cost of sales going forward, particularly in light of our continued expansion and ramping up of our business presence both online and offline. Our ability to control such costs may significantly affect our profitability.

Our Expansion and Penetration in International Markets

Our results of operations are affected by our ability to continue our expansion and penetration in international markets. We have established our presence in multiple geographic markets and achieved significant growth in our overseas sales. Our revenue from sales in markets outside of Mainland China amounted to RMB503.7 million, RMB491.5 million, and RMB1,255.6 million in 2021, 2022, and 2023, respectively, accounting for 74.6%, 64.0%, and 79.3% of our total revenue for the same year, respectively. For details, see " — Principal Components of Consolidated Statements of Comprehensive Profit — Revenue — Revenue by Geographical Location". We believe that our potential for growth in international markets is significant. We plan to continue expanding our global footprint by enhancing our sales and marketing efforts, deepening our collaboration with e-commerce platforms and seeking strategical partnerships with select offline distributors. In addition, we intend to leverage our strong product development capabilities to expand our product offerings into more categories to reach a broader global customer base. We expect our sales in international markets to continue to contribute significantly to our total revenue in the near future. Our ability to continue expanding our existing market share in overseas markets and establishing presence in new overseas markets may significantly affect our business and results of operations. See also "Risk Factors — Risks Related to Our Business and Industry — We face intense competition in various geographic markets where we operate and if we are unable to compete successfully, our business, results of operations, and financial condition could be materially and adversely affected" and "Risk Factors — Risks Related to Our Business and Industry — Our international operations are subject to a variety of costs and legal, regulatory, political, and economic risks."

Foreign Exchange Rate Fluctuation

Our overseas sales are conducted in the local currencies of the countries and regions where we operate. We prepare our consolidated financial statements in Renminbi for reporting purposes. Foreign currencies, such as the U.S. dollar, Euro, and Japanese yen, are converted into Renminbi at the exchange rates effective on date of the transaction. Additionally, assets and liabilities denominated in foreign currencies are translated into RMB amounts at the exchange rates effective at the end of the reporting period. Consequently, we are exposed to risks arising from fluctuations in the exchange rates of Renminbi against foreign currencies and may record gains or losses from these currency conversion transactions and translation. During the Track Record Period, we had net foreign exchange gains of RMB0.1 million in 2021, net foreign exchange losses of RMB1.4 million in 2022, and net foreign exchange gains of RMB15.2 million in 2023. Gains and losses resulting from currency conversion and translation are recognized in our profit or loss. As a result, fluctuations in the exchange rates between Renminbi and foreign currencies could significantly affect our results of operations. The value of the Renminbi against foreign currencies may fluctuate due to a number of factors, all of which are beyond our control. Any depreciation of foreign currencies against Renminbi may have a negative impact on our net profit, while any appreciation of foreign currencies may have a positive impact on our net profit. We may need to use hedging arrangements to mitigate the impact of foreign exchange rate fluctuations. However, we may not be able to fully or cost-effectively mitigate the risk of foreign exchange loss through these arrangements. See "Risk Factors — Risks Relating to Our Business and Industry — Fluctuations in currency exchange rates may lead to volatility in our results of operations."

Level of Income Tax and Preferential Tax Treatment

Our net profit is affected by the level of income tax that we pay and the preferential tax treatments to which we are entitled in the jurisdictions where we operate. For details on the income tax rates we were subject to in different jurisdictions during the Track Record, see "— Principal Components of Consolidated Statements of Comprehensive Profit — Income Tax Expenses". During the Track Record Period, certain of our subsidiaries enjoyed preferential tax treatment and tax deductions. Our PRC subsidiary, Zhejiang Carote, enjoyed a preferential EIT rate of 15% in 2021, 2022, and 2023 for its status as a high and new-technology enterprise pursuant to the tax incentives under the Enterprise Income Tax Law, as compared to the standard 25% EIT rate. Companies recognized as high and new-technology enterprises are subject to a reduced EIT rate of 15% for three years since the first year of their recognition. Our PRC subsidiaries were also allowed to deduct from their taxable income an additional 100% of qualified research and development expenses incurred under the Enterprise Income Tax Law. In addition, during the Track Record Period, we were not subject to Hong Kong profits tax as our subsidiary in Hong Kong, Carote Global, generated no assessable profits in 2021, 2022, and 2023. As a result of the foregoing, our effective income tax rate, calculated as income tax expenses divided by profit before income tax multiplied by 100.0%, was 12.2%, 14.2%, and 15.0% in 2021, 2022, and 2023, respectively. Our income tax expenses amounted to RMB4.4 million, RMB18.0 million, and RMB41.8 million for the same years, respectively.

In 2022, Zhejiang Carote's status as a high and new-technology enterprise was approved to be renewed for another three years and is expected to expire in 2025. There is no assurance that we will be able to continue enjoying the preferential tax treatment and deductions we are entitled to in the long run. Any changes in the income tax rate and preferential tax treatments we are subject to could lead to an increase in our income tax expenses and materially and adversely affect our results of operations and financial condition.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions, and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions, and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in the notes to the Historical Financial Information in the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers is recognized when control of products is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those products.

The following is a description of the accounting policy for our principal revenue streams:

Sales of Products

We sell our products to customers over third-party e-commerce platforms or directly. Revenue from contracts with customers is recognized when control of the products is transferred to customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those products and delivery to the customers.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of goods provides customers with rights of return, it gives rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price.

A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of our entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Since all of our assets are located in China, the consolidated financial statements are presented in RMB, which is our Company's functional and our presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss on a net basis within "other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Our Companies

The results and financial position of all our entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognized in other comprehensive income.

Investments and Other Financial Assets

Classification

We classify our financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

We reclassify debt investments when and only when our business model for managing those assets changes.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instruments

- Amortized cost: Assets that are held for collection of contractual cash flows where those cashflows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses) — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within in "other gains/(losses) — net" in the period in which it arises.

Impairment

We assess on a forward-looking basis the expected credit loss associated with our debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and long-term bank time deposits, the expected credit loss risk is considered immaterial.

For trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the assets.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when we have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of our management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our Company and its subsidiaries and associate operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)		
Revenue	**675.3**	**768.5**	**1,583.1**
Cost of sales	(548.8)	(493.2)	(1,018.0)
Gross profit	**126.5**	**275.3**	**565.1**
Selling expenses	(56.7)	(108.8)	(245.4)
Administrative expenses	(20.3)	(20.7)	(31.6)
Research and development expenses	(18.1)	(20.8)	(35.9)
Net (impairment losses)/reversal of impairment on financial assets	(0.1)	(0.1)	0.3
Other income	0.5	1.6	3.2
Other gains/(losses), net	0.9	(2.4)	15.5
Operating profit	**32.7**	**124.1**	**271.2**
Finance income	4.9	5.5	7.4
Finance costs	(1.6)	(3.1)	(0.3)
Finance income, net	3.3	2.4	7.1
Profit before income tax	**36.0**	**126.5**	**278.3**
Income tax expenses	(4.3)	(18.0)	(41.8)
Profit for the year	**31.7**	**108.5**	**236.5**
Profit attributable to:			
Owners of the Company	31.7	108.8	237.1
Non-controlling interests	(0.0)	(0.3)	(0.6)
	31.7	**108.5**	**236.5**

Revenue

Our revenue during the Track Record Period represented revenue from our two main business segments, branded business and ODM business. Our revenue from branded business was derived from our sales of products under our own brand name, "CAROTE". Our revenue from ODM business was derived from our sales of customized cookware and other kitchenware products to international brand-owners and retailers.

We are subject to value-added tax, sales tax, or taxes of similar nature for our sales of goods in the various jurisdictions where we conduct sales. When we sell our products through a third-party online marketplace, its operator withholds and remits such taxes from payments made by our customers before transferring the balance to us. When we conduct sales directly to customers, we are responsible for such taxes, and therefore our revenue recognized for these sales are net of value-added or sales tax.

For example, we are subject to value-added tax in China generally at the rate of 13% for goods sold. In the US market, we are subject to sales tax or sales and use tax at the state level for goods sold. The rates of such taxes vary from state to state, ranging from 4.00% to 8.84% in the states where our goods were sold during the Track Record Period. The rate applicable depends on the state where the customer is located. In the Japanese market, we are subject to consumption tax in Japan at the rate of 10% for our goods sold.

Revenue by Business Segment

The following table sets forth a breakdown of our revenue by business segment, in absolute amounts and as a percentage of total revenue, for the years indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	(RMB in millions except for percentages)					
Branded business	283.3	41.9%	530.7	69.1%	1,379.9	87.2%
ODM business	392.0	58.1%	237.8	30.9%	203.2	12.8%
Total	**675.3**	**100.0%**	**768.5**	**100.0%**	**1,583.1**	**100.0%**

Our revenue from branded business amounted to RMB283.3 million, RMB530.7 million, and RMB1,379.9 million in 2021, 2022, and 2023, respectively, accounting for 41.9%, 69.1%, and 87.2% of our total revenue for the same year, respectively. The increase in our revenue from branded business during the Track Record Period was mainly attributable to our business growth, which reflected our strategic focus on developing this business segment through expanding our sales channels and broadening our product offering.

Our revenue from ODM business amounted to RMB392.0 million, RMB237.8 million, and RMB203.2 million in 2021, 2022, and 2023, respectively, accounting for 58.1%, 30.9%, and 12.8% of our total revenue for the same year, respectively. The decrease in our revenue from ODM business during the Track Record Period was primarily due to a decrease in our number of ODM products sold from approximately 7.5 million in 2021 to approximately 4.4 million in 2022, and further to approximately 3.7 million in 2023, mainly attributable to: (i) our strategic redirection of focus away from this business segment as our branded business generally yields a higher gross profit margin; and (ii) a decrease in demand from our ODM customers in Western Europe.

Revenue from Branded Business

By Products

The following table sets forth a breakdown of our revenue from branded business by product for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Branded business						
Cookware	244.7	86.4%	444.6	83.8%	1,237.7	89.7%
Kitchen utensils	30.6	10.8%	64.9	12.2%	90.4	6.6%
Drinkware	0.5	0.2%	12.5	2.4%	47.4	3.4%
Others[(1)]	7.5	2.6%	8.7	1.6%	4.4	0.3%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**

Note:

(1) Primarily represent revenue from sales of kitchen appliances and tableware.

During the Track Record Period, our branded business experienced revenue growth across all of our main product categories, namely cookware, kitchen utensils, and drinkware. Our revenue from sales of cookware amounted to RMB244.7 million, RMB444.6 million, and RMB1,237.7 million in 2021, 2022, and 2023, respectively, accounting for 86.4%, 83.8%, and 89.7% of our total revenue from branded business for the same year, respectively. This increase was primarily due to: (i) our introduction of new product series that were well received by customers; and (ii) our expansion of our online sales channels.

Our revenue from sales of kitchen utensils amounted to RMB30.6 million, RMB64.9 million, and RMB90.4 million in 2021, 2022, and 2023, respectively, accounting for 10.8%, 12.2%, and 6.6% of our total revenue from branded business for the same year, respectively. This increase was primarily due to an increase in our number of products sold, mainly attributable to: (i) our introduction of cookware sets consisting of cookware and kitchen utensils, such as non-stick skillets and silicone spatulas; and (ii) our introduction of new and upgraded products that were well received by customers, such as our colorful knife sets with blade guards and non-stick ceramic coating.

Our revenue from sales of drinkware amounted to RMB0.5 million, RMB12.5 million, and RMB47.4 million in 2021, 2022, and 2023, respectively, accounting for 0.2%, 2.4%, and 3.4% of our total revenue from branded business for the same year, respectively. This significant increase was primarily due to: (i) strong customer demand for our drinkware products due to their stylish designs and high value for price; (ii) our launch of drinkware products that encouraged new purchases from existing customers and attracted new customers; and (iii) our enhanced supply chain and marketing operations for drinkware since 2022, which enabled us to quickly respond to shifts in consumer preferences.

Our revenue from sales of other products amounted to RMB7.5 million, RMB8.7 million, and RMB4.4 million in 2021, 2022, and 2023, respectively, accounting for 2.6%, 1.6%, and 0.3% of our total revenue from branded business for the same year, respectively. The increase in our revenue from sales of other products from 2021 to 2022 was primarily due to our introduction of new kitchen appliance products, mainly electric pots and cookers, which were well received by customers. The decrease in our revenue from sales of other products from 2022 to 2023 was primarily due to our strategic focus towards prioritizing the development of our main product categories.

By Platforms

The following table sets forth a breakdown of our revenue from branded business by platforms for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Branded business						
Amazon	63.7	22.5%	162.2	30.6%	673.2	48.8%
Tmall	121.4	42.9%	207.2	39.1%	285.4	20.7%
Walmart	—	—	9.6	1.8%	245.1	17.8%
Shopee	9.3	3.3%	18.7	3.5%	41.6	3.0%
Lazada	34.5	12.2%	27.2	5.1%	33.2	2.4%
Douyin	2.0	0.7%	15.9	3.0%	18.8	1.4%
JD.com	29.1	10.3%	37.8	7.1%	18.4	1.3%
Others	23.3	8.1%	52.1	9.8%	64.2	4.6%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**

During the Track Record Period, our branded business experienced revenue growth across most of the e-commerce platforms on which we operated. In particular, we experienced significant growth in our sales from Amazon, Tmall, Walmart, Shopee, and Douyin, which together contributed 69.4%, 78.0%, and 91.7% of our total revenue from branded business in 2021, 2022, and 2023, respectively.

Our revenue from sales on Amazon amounted to RMB63.7 million, RMB162.2 million, and RMB673.2 million in 2021, 2022, and 2023, respectively, accounting for 22.5%, 30.6%, and 48.8% of our total revenue from branded business for the same year, respectively. This increase was primarily due to: (i) our opening of Amazon stores in various Western European countries; (ii) our development and introduction of region-specific products that appealed to the taste of local consumers on Amazon stores for different countries; and (iii) our sales strategy of selling our products as cookware sets instead of single items.

Our revenue from sales on Tmall amounted to RMB121.4 million, RMB207.2 million, and RMB285.4 million in 2021, 2022, and 2023, respectively, accounting for 42.9%, 39.1%, and 20.7% of our total revenue from branded business for the same year, respectively. This increase was primarily due to: (i) our offering of products that were well received by customers across our main product categories; and (ii) our enhanced brand recognition.

Our revenue from sales on Walmart's online platform amounted to nil, RMB9.6 million, and RMB245.1 million in 2021, 2022, and 2023, respectively, accounting for nil, 1.8%, and 17.8% of our total revenue from branded business for the same year, respectively. The significant increase in revenue after we began collaborating with Walmart in 2022 was primarily due to our offering of products that appealed to the tastes of U.S. customers, such as our cookware sets.

Our revenue from sales on Shopee amounted to RMB9.3 million, RMB18.7 million, and RMB41.6 million in 2021, 2022, and 2023, respectively, accounting for 3.3%, 3.5%, and 3.0% of our total revenue from branded business for the same year, respectively. The significant increase was primarily due to our sales growth in the Philippines and Indonesia, where Shopee was one of the most popular e-commerce platforms.

Our revenue from sales on Douyin amounted to RMB2.0 million, RMB15.9 million, and RMB18.8 million in 2021, 2022, and 2023, respectively, accounting for 0.7%, 3.0%, and 1.4% of our total revenue from branded business for the same year, respectively. The significant increase was primarily due to: (i) our establishment of a marketing operations team to run our Douyin store in 2022; (ii) our collaboration with Douyin influencers to promote our products; and (iii) our strategic focus on the sale of small-value, single-item products with a high value for money, which aligned with the purchasing preferences of Douyin users.

Our revenue from sales on other platforms, which primarily comprised other platforms that had relatively large user bases in the geographical markets where we operated, amounted to RMB23.3 million, RMB52.1 million, and RMB64.2 million in 2021, 2022, and 2023, respectively, accounting for 8.1%, 9.8%, and 4.6% of our total revenue from branded business for the same year, respectively. The significant increase in our revenue from sales on other platforms was primarily due to our collaboration with additional platforms as we expanded our business.

The foregoing increases were partially offset by an overall decrease in our revenue from JD.com, which amounted to RMB29.1 million, RMB37.8 million, and RMB18.4 million in 2021, 2022, and 2023, respectively, accounting for 10.3%, 7.1%, and 1.3% of our total revenue from branded business for the same year, respectively. The decrease was due to our strategic reduction of collaboration with JD.com under the latter's B2B model, which required higher platform fees.

By Geographical Location

The following table sets forth a breakdown of our revenue from branded business by geographical location for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Mainland China	163.4	57.7%	273.5	51.5%	322.7	23.4%
United States	46.6	16.5%	122.2	23.0%	740.1	53.6%
Asia except for Mainland China[(1)]	62.9	22.2%	109.2	20.6%	203.6	14.8%
Western Europe[(2)]	5.8	2.0%	14.9	2.8%	96.8	7.0%
Others[(3)]	4.6	1.6%	10.9	2.1%	16.7	1.2%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**

Notes:

* *For online retail, geographic markets are identified by the country or region of the platform where the sales took place.*

(1) Primarily includes Japan, the Philippines, India, Indonesia, Singapore, and Malaysia.

(2) Primarily includes Italy, the United Kingdom, Germany, Spain, and France.

(3) Primarily includes Canada.

During the Track Record Period, our branded business experienced revenue growth in all our geographic markets in line with our business expansion. Our revenue from Mainland China amounted to RMB163.4 million, RMB273.5 million, and RMB322.7 million in 2021, 2022, and 2023, respectively, accounting for 57.7%, 51.5%, and 23.4% of our total revenue from branded business for the same year, respectively. The increase in our revenue from Mainland China was primarily due to increases in our sales on Tmall and Douyin, which were mainly attributable to our offering of classic series that remained well-received by consumers throughout the years, such as our Cosy cookware series, and our quick development and introduction of new products.

Our revenue from the United States amounted to RMB46.6 million, RMB122.2 million, and RMB740.1 million in 2021, 2022, and 2023, respectively, accounting for 16.5%, 23.0%, and 53.6% of our total revenue from branded business for the same year, respectively. The increase in our revenue from the United States was primarily due to: (i) an increase in our sales on Amazon, which was mainly attributable to (a) the formation of our U.S.-focused marketing operations team and supply chain management team, which enabled us to quickly adapt our product offerings in response to the local market trends, and (b) our strategy of selling cookware in sets instead of as single items; and (ii) our sales on Walmart's online platform starting from the first half of 2022.

Our revenue from Asia except for Mainland China amounted to RMB62.9 million, RMB109.2 million, and RMB203.6 million in 2021, 2022, and 2023, respectively, accounting for 22.2%, 20.6%, and 14.8% of our total revenue from branded business for the same year, respectively. The increase in our revenue from Asia except for Mainland China was primarily due to our sales growth in Japan, Indonesia, and India, mainly attributable to: (i) our collaboration with local mainstream e-commerce platforms, including Amazon and Rakuten in Japan and Shopee in Indonesia; (ii) our establishment of region-specific marketing operations team and supply chain-management team for Japan; and (iii) our development and introduction of products that catered to local consumer preferences, such as roti pans for Indian consumers and space-saving cookware with detachable handles for Japanese consumers.

Our revenue from Western Europe amounted to RMB5.8 million, RMB14.9 million, and RMB96.8 million in 2021, 2022, and 2023, respectively, accounting for 2.0%, 2.8%, and 7.0% of our total revenue from branded business for the same year, respectively. The significant increase in our revenue from Western Europe was primarily due to the rapid growth in our sales on Amazon UK and Amazon Germany.

Our revenue from other countries amounted to RMB4.6 million, RMB10.9 million, and RMB16.7 million in 2021, 2022, and 2023, respectively, accounting for 1.6%, 2.1%, and 1.2% of our total revenue from branded business for the same year, respectively. The increase in our revenue from other countries was primarily due to an increase in our sales on Amazon Canada as a result of our offerings of products that appealed to Canadian consumers, whose preferences were similar to those of U.S. consumers.

Cost of Sales

Our cost of sales was RMB548.8 million, RMB493.2 million, and RMB1,018.0 million in 2021, 2022, and 2023, respectively.

Cost of Sales by Nature

Our cost of sales primarily consists of cost of inventories sold, representing: (i) the cost we incurred in procuring finished goods from our contract manufacturers, and (ii) the cost we incurred in producing finished goods through our own production line in 2021 and 2022, mainly comprising costs of raw materials and consumables as well as other fees incurred in production. Our cost of inventories sold accounted for 68.5%, 77.0%, and 72.9% of our cost of sales in 2021, 2022, and 2023, respectively.

Our cost of sales also includes: (i) freight and storage expenses, representing freight expenses incurred in the shipment of our products to customers, which mainly comprised courier fees and payments to third-party e-commerce platforms for their delivery services, and fees we paid to e-commerce platforms for their storage services; (ii) employee benefit expenses (including salaries, bonuses, social security costs, and other employee welfares) relating to warehouse personnel; (iii) others, representing primarily product testing fees and certification fees, as well as depreciation of property, plant and equipment in 2021 and 2022 in relation to our own production.

Our cost of sales decreased from RMB548.8 million in 2021 to RMB493.2 million in 2022, mainly attributable to a RMB74.2 million decrease in our raw materials and consumables used as we ceased our own production line and transitioned to a fully outsourced, asset-light model. Our cost of sales increased significantly to RMB1,018.0 million in 2023 in line with the rapid growth of our branded business.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of total cost of sales, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Cost of inventories sold	376.2	68.5%	379.6	77.0%	741.9	72.9%
Freight and storage expenses	68.7	12.5%	93.7	19.0%	268.5	26.4%
Employee benefit expenses	11.7	2.1%	6.0	1.2%	6.5	0.6%
Raw materials and consumables used	87.5	15.9%	13.3	2.7%	—	—
Others	4.7	0.9%	0.6	0.1%	1.1	0.1%
Total	**548.8**	**100.0%**	**493.2**	**100.0%**	**1,018.0**	**100.0%**

Cost of Sales by Business Segment

The following table sets forth a breakdown of our cost of sales by business segment, in absolute amounts and as a percentage of total cost of sales, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Branded business	176.8	32.2%	287.0	58.2%	838.8	82.4%
ODM business	372.0	67.8%	206.2	41.8%	179.2	17.6%
Total	**548.8**	**100.0%**	**493.2**	**100.0%**	**1,018.0**	**100.0%**

During the Track Record Period, our cost of sales for branded business amounted to RMB176.8 million, RMB287.0 million, and RMB838.8 million in 2021, 2022, and 2023, respectively, accounting for 32.2%, 58.2%, and 82.4% of our total cost of sales for the same year, respectively. The increase in our cost of sales for branded business was in line with our growth in this business segment.

Our cost of sales for ODM business amounted to RMB372.0 million, RMB206.2 million, and RMB179.2 million in 2021, 2022, and 2023, respectively, accounting for 67.8%, 41.8%, and 17.6% of our total cost of sales for the same year, respectively. The overall decrease in our cost of sales for ODM business was in line with our downscale of this business segment.

Gross Profit and Gross Profit Margin

Our gross profit was RMB126.5 million, RMB275.3 million, and RMB565.1 million in 2021, 2022, and 2023, respectively. Our gross profit margin was 18.7%, 35.8%, and 35.7% in 2021, 2022, and 2023, respectively.

Gross Profit and Gross Profit Margin by Business Segment

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)					
Branded business	106.5	37.6%	243.7	45.9%	541.1	39.2%
ODM business	20.0	5.1%	31.6	13.3%	24.0	11.8%
Total	**126.5**	18.7%	**275.3**	35.8%	**565.1**	35.7%

During the Track Record Period, our gross profit from branded business amounted to RMB106.5 million, RMB243.7 million, and RMB541.1 million in 2021, 2022, and 2023, respectively. The increase in our gross profit from branded business was primarily due to significant growth in both our domestic and overseas retail sales of our own-branded products. The gross profit margin of our branded business was 37.6%, 45.9%, and 39.2% in 2021, 2022, and 2023, respectively. The increase in the gross profit margin of our branded business from 2021 to 2022 was primarily because cookware sets contributed a greater proportion of our revenue, especially in the United States, and such sets had a lower freight expense to revenue ratio than single items. The decrease in the gross profit margin of our branded business from 2022 to 2023 was primarily due to our adjustment of our pricing strategy to place greater emphasis on high value for price to attract more customers.

Our gross profit from ODM business amounted to RMB20.0 million, RMB31.6 million, and RMB24.0 million in 2021, 2022, and 2023, respectively. The gross profit margin of our ODM business was 5.1%, 13.3%, and 11.8% in 2021, 2022, and 2023, respectively. The increases in the gross profit and gross profit margin of our ODM business from 2021 to 2022 were primarily due to: (i) an increase in our pricing for certain new products with more competitive features such as functionality improvements, which increased our bargaining power when negotiating prices with customers; and (ii) a decrease in our cost of sales, mainly attributable to our increased bargaining power against suppliers as our business continued to grow. The decreases in the gross profit and gross profit margin of our ODM business from 2022 to 2023 were primarily because we lowered the prices of certain products in order to maintain competitiveness.

Gross Profit and Gross Profit Margin of Branded Business by Product

The following table sets forth a breakdown of the gross profit and gross profit margin of our branded business by product for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)					
Branded business						
Cookware	92.8	37.9%	203.3	45.7%	481.0	38.9%
Kitchen utensils	12.2	39.7%	34.1	52.6%	42.3	46.8%
Drinkware	0.2	47.0%	4.8	38.5%	16.8	35.3%
Others[(1)]	1.3	17.8%	1.5	16.0%	1.0	23.3%
Total	**106.5**	37.6%	**243.7**	45.9%	**541.1**	39.2%

Note:

(1) Represent gross profit/gross profit margin of sales of kitchen appliances and tableware.

During the Track Record Period, our branded business experienced an increase in gross profit across all of our main product categories, namely cookware, kitchen utensils, and drinkware. Our gross profit from sales of cookware amounted to RMB92.8 million, RMB203.3 million, and RMB481.0 million in 2021, 2022, and 2023, respectively. The increase in our gross profit from sales of cookware was in line with the growth of our revenue from this product category. Our gross profit margin of sales from cookware increased from 37.9% in 2021 to 45.7% in 2022, primarily due to an increase in the proportion of revenue contributed by cookware sets, which generally carried higher gross profit margin than single items due to having a lower freight expenses to revenue ratio. Our gross profit margin of sales from cookware decreased to 38.9% in 2023, primarily due to our price reduction to attract more customers.

Our gross profit from sales of kitchen utensils amounted to RMB12.2 million, RMB34.1 million, and RMB42.3 million in 2021, 2022, and 2023, respectively. The increase in our gross profit from sales of kitchen utensils was in line with the growth of our revenue from this product category. Our gross profit margin of sales of kitchen utensils increased from 39.7% in 2021 to

52.6% in 2022, primarily due to our quick discontinuation of products with lower gross profit margins as we strategically repositioned our kitchen utensils as add-on products with high gross profit margins. Our gross profit margin of sales of kitchen utensils decreased to 46.8% in 2023, primarily due to our price reduction to attract more customers.

Our gross profit from sales of drinkware amounted to RMB0.2 million, RMB4.8 million, and RMB16.8 million in 2021, 2022, and 2023, respectively. The significant increase in our gross profit from sales of drinkware was in line with the growth of our revenue from this product category. Our gross profit margin of sales of drinkware was 47.0%, 38.5%, and 35.3% in 2021, 2022, and 2023, respectively. The decrease in our gross profit margin of sales of drinkware was primarily due to: (i) our strategic positioning of drinkware as high value-for-price products as our target market mainly comprises young consumers, who generally prioritized high value for price; and (ii) our participation in discount sales activities on e-commerce platforms to promote our brand.

Selling Expenses

Our selling expenses primarily consist of: (i) commission to e-commerce platforms, representing commission we paid to e-commerce platforms in relation to our online retail sales; and (ii) marketing and advertising expenses, representing expenses incurred in our marketing and promotional campaigns, mainly through online channels.

The following table sets forth a breakdown of our selling expenses, in absolute amounts and as a percentage of total selling expenses, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Commission to e-commerce platforms	29.6	52.1%	47.5	43.7%	167.2	68.1%
Marketing and advertising expenses	23.1	40.8%	53.1	48.8%	67.6	27.5%
Employee benefit expenses	2.8	5.0%	5.7	5.2%	7.1	2.9%
Share-based payment expenses	—	—	—	—	1.2	0.5%
Office expenses	0.6	1.1%	0.3	0.3%	0.7	0.3%
Others	0.6	1.0%	2.2	2.0%	1.6	0.7%
Total	**56.7**	**100.0%**	**108.8**	**100.0%**	**245.4**	**100.0%**

Our commission paid to e-commerce platforms amounted to RMB29.6 million, RMB47.5 million, and RMB167.2 million in 2021, 2022, and 2023, respectively. The significant increase in our commission paid to e-commerce platforms was in line with the significant growth of our revenue from online sales.

Our marketing and advertising expenses amounted to RMB23.1 million, RMB53.1 million, and RMB67.6 million in 2021, 2022, and 2023, respectively. The increase in our marketing and advertising expenses was primarily due to our increased marketing and promotional activities, mainly on the e-commerce platforms where we operate, to promote our products and expand our customer base.

Administrative Expenses

Our administrative expenses primarily consist of: (i) employee benefit expenses (including salaries, bonuses, social security costs, and other employee welfares) relating to administrative personnel; (ii) legal and professional fees, representing fees paid for legal services, consultancy services, and other professional services; (iii) **[REDACTED]** of **[REDACTED]** in 2023 in relation to our preparations for the **[REDACTED]**; and (iv) others, primarily representing other tax expenses and surcharges.

The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as a percentage of total administrative expenses, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Employee benefit expenses	9.0	44.2%	8.2	39.7%	9.2	29.2%
Depreciation of property, plant and equipment	0.8	4.1%	1.7	7.9%	2.9	9.0%
Depreciation of right-of-use assets	1.5	7.3%	2.6	12.6%	1.4	4.3%
[REDACTED] expenses	—	—	—	—	**[REDACTED]**	**[REDACTED]**
Legal and professional fees	1.9	9.2%	1.1	5.4%	4.4	13.9%
Office expenses	1.8	8.9%	0.7	3.5%	0.6	1.7%
Share-based payment expenses	—	—	—	—	0.4	1.3%
Others[(1)]	5.3	26.3%	6.4	30.9%	6.7	21.5%
Total	**20.3**	**100.0%**	**20.7**	**100.0%**	**31.6**	**100.0%**

Note:

(1) Primarily represent other tax expenses and surcharges.

The increase in our administrative expenses from 2022 to 2023 was primarily due to our incurrence of **[REDACTED]** of **[REDACTED]** in relation to our preparations for the **[REDACTED]**.

Research and Development Expenses

Our research and development expenses primarily consist of raw material used representing the cost of inventories used in our research and development activities.

The following table sets forth a breakdown of our research and development expenses in absolute amounts and as a percentage of total research and development expenses, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions except for percentages)					
Raw material and consumables used	14.5	80.1%	19.1	91.6%	32.6	90.8%
Employee benefit expenses	1.7	9.3%	1.5	7.4%	2.9	7.9%
Depreciation of property, plant and equipment	1.7	9.4%	—	—	—	—
Others	0.2	1.2%	0.2	1.0%	0.4	1.3%
Total	**18.1**	**100.0%**	**20.8**	**100.0%**	**35.9**	**100.0%**

Our raw material and consumables used amounted to RMB14.5 million, RMB19.1 million, and RMB32.6 million in 2021, 2022, and 2023, respectively. The increase in our raw material and consumables used was primarily due to an increase in our research and development activities as we continued developing new products.

Net Impairment Losses/Reversal of Impairment on Financial Assets

We recorded net impairment losses on financial assets of RMB0.1 million in 2021 and 2022, primarily representing expected credit loss arising from trade receivables aged over one year. We recorded net reversal of impairment on financial assets of RMB0.3 million in 2023, primarily due to a decrease in our trade receivables aged over one year and an increase in our trade receivables aged less than three months.

Other Income

Our other income primarily consists of government grants, primarily representing unconditional financial subsidies we received from the Yongkang local government for our contribution to the local economy and foreign trade activities, which were one-off and non-recurring.

The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in millions)	
Government grants	0.4	1.5	3.1
Others[1]	0.1	0.2	0.1
Total	**0.5**	**1.7**	**3.2**

Note:

(1) Primarily represent income from sales of recycled materials and miscellaneous one-off and non-recurring other income.

In 2021, we received government grants of RMB0.4 million, primarily consisting of foreign trade subsidies from the Yongkang local government for achieving certain export performance targets in 2020.

In 2022, we received government grants of RMB1.5 million, primarily consisting of subsidies from the Yongkang local government for achieving certain export performance targets in 2021 and promoting the development of the local e-commerce industry.

In 2023, we received government grants of RMB3.1 million, primarily consisting of subsidies and awards from the Yongkang local government for our contribution to the local economy and achievements in our export performance, including achieving certain export growth targets and overseas market share expansion targets.

Income Tax Expenses

Our income tax expenses consist of current tax on profits for the year and deferred income tax. We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which we are domiciled and operate, and subject to various income tax rates under different jurisdictions.

The following table sets forth a breakdown of our income tax expenses for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Current tax on profits for the year	5.2	19.8	45.5
Deferred income tax	(0.8)	(1.8)	(3.7)
Total	**4.4**	**18.0**	**41.8**

During the Track Record Period, we were not subject to any income tax in the Cayman Islands pursuant to the tax laws and regulations of the Cayman Islands as we were incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Act of the Cayman Islands.

Under Hong Kong's two-tiered profits tax rates regime, our qualifying entities are subject to Hong Kong profits tax rate of 8.25% on assessable profits up to HK$2.0 million, and 16.5% on assessable profits over HK$2.0 million. The profits of our entities not qualifying for the two-tiered profits tax rates regime are subject to a flat tax rate of 16.5%. During the Track Record Period, we were not subject to Hong Kong profits tax as our subsidiary in Hong Kong, Carote Global, did not generate any assessable profits in Hong Kong in 2021, 2022, and 2023.

During the Track Record Period, Carote USA, our subsidiary in California, was subject to federal income tax rate of 21% and California income tax rate of 8.84% in 2021, 2022, and 2023.

During the Track Record Period, our subsidiary in Japan was subject to income tax rate at the state level of 23.2% in 2021, 2022, and 2023.

During the Track Record Period, our subsidiary in Singapore was subject to Singapore corporate income tax rate of 17% on assessable profits in 2021, 2022, and 2023.

During the Track Record Period, our PRC subsidiaries were subject to EIT rate of 25%, except for our subsidiary, Zhejiang Carote, which enjoyed a preferential EIT rate of 15% in 2021, 2022, and 2023 for its status as a high and new-technology enterprise pursuant to the tax incentives under the Enterprise Income Tax Law. Companies recognized as high and new-technology enterprises are subject to a reduced EIT rate of 15% for three years since the first year of their recognition. Zhejiang Carote was recognized as a high and new-technology enterprise in 2019. Zhejiang Carote's status as a high and new-technology enterprise was approved to be renewed for another three-year period, commencing from 2022.

Our effective income tax rate, calculated as income tax expenses divided by profit before income tax multiplied by 100.0%, was 12.2%, 14.2%, and 15.0% in 2021, 2022, and 2023, respectively. Our effective income tax rate was lower than 15% in 2021 and 2022, primarily because: (i) Zhejiang Carote enjoyed the aforementioned preferential EIT rate of 15% and was able to deduct an additional 100% of qualified R&D expenses from its taxable income in each year of the Track Record Period; and (ii) Carote Global, our Hong Kong subsidiary, did not generate any assessable profits during the Track Record Period.

During the Track Record Period, our current income tax liabilities amounted to RMB4.7 million, RMB18.4 million, and RMB33.5 million as of December 31, 2021, 2022, and 2023, respectively.

In 2021, 2022, and 2023, our income tax payments amounted to RMB2.4 million, RMB6.1 million, and RMB30.3 million, respectively, while our current income tax expense amounted to RMB4.4 million, RMB18.0 million, and RMB41.8 million for the same years, respectively. The difference between our income tax payments and current income tax expense was primarily due to the time difference between the recording of income tax expense and the payment of income tax expense for the respective years in China.

The following table sets forth the reconciliation of the difference between our actual income tax expenses and the amounts that would result from applying the enacted tax rates to profit before income tax:

	Year ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)		
Profit before taxation	36.0	126.5	278.3
Tax calculated at statutory tax rates applicable to each group entity	7.9	30.6	66.3
Preferential tax rate	(3.2)	(12.0)	(23.8)
Expenses not deductible for tax purpose	0.2	0.4	0.2
Super deduction for research and development expenses	(1.3)	(1.8)	(2.7)
Tax losses for which no deferred income tax asset was recognized	0.8	0.8	2.0
Previously unrecognized tax losses now recouped to reduce current tax expense	—	—	(0.2)
Income tax expense	**4.4**	**18.0**	**41.8**

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

The following discussion compares the major components of our results of operations in 2021, 2022, and 2023.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased significantly from RMB768.5 million in 2022 to RMB1,583.1 million in 2023 due to the significant increase in our revenue from branded business from RMB530.7 million in 2022 to RMB1,379.9 million in 2023, mainly attributable to our continued focus of resources on developing this business segment and continued expansion of market share through developing and introducing new products that suited the latest market trends, collaborating with additional e-commerce platforms such as Walmart, and establishing region-specific marketing operations team and supply chain-management teams to more effectively identify consumer preferences, engage potential customers, and increase our market share.

In particular, our revenue from sales on Amazon increased significantly from RMB162.2 million in 2022 to RMB673.2 million in 2023, primarily due to: (i) our sales growth in the United States, mainly attributable to our offering of products that successfully catered to local consumer preferences as a result of our establishment of U.S.-specific marketing operations team and supply chain-management team; (ii) our sales growth in Western Europe, especially the United Kingdom and Germany, due to our establishment of Western Europe-specific marketing operations team and supply chain-management team; and (iii) our sales growth in Asia except for Mainland China, in particular Japan, due to our improvement of marketing and supply chain management. Our revenue from sales on Tmall increased by 37.7% from RMB207.2 million in 2022 to RMB285.4 million in 2023, primarily due to our introduction of new products featuring functional improvements and stylish designs that were well received by Tmall users. Our revenue from Walmart online also increased significantly from RMB9.6 million in 2022 to RMB245.1 million in 2023, primarily due to our offering of products that successfully catered to U.S. consumer preferences, such as cookware sets.

The foregoing increases were partially offset by a RMB34.6 million decrease in our revenue from ODM business, primarily due to a decrease in our number of products sold as a result of our continued strategic shift of resources from this business segment to branded business, which commanded higher profitability, since 2021.

Cost of Sales

Our cost of sales increased significantly from RMB493.2 million in 2022 to RMB1,018.0 million in 2023, primarily due to an increase in our number of products sold in line with our sales growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB275.3 million in 2022 to RMB565.1 million in 2023. Our gross profit margin remained relatively stable at 35.8% and 35.7% in 2022 and 2023, respectively.

Our gross profit margin for branded business decreased from 45.9% in 2022 to 39.2% in 2023, primarily due to our increased emphasis on offering products with high value for price to attract more customers. Our gross profit margin for ODM business decreased slightly from 13.3% in 2022 to 11.8% in 2023, primarily due to certain pricing reductions we made to maintain competitiveness.

Selling Expenses

Our selling expenses increased significantly from RMB108.8 million in 2022 to RMB245.4 million in 2023, primarily due to a RMB119.6 million increase in the commission we paid to third-party e-commerce platforms in line with the significant growth of our online retail sales and our new collaboration with additional e-commerce platforms.

Administrative Expenses

Our administrative expenses increased by 52.6% from RMB20.7 million in 2022 to RMB31.6 million in 2023, primarily due to our incurrence of **[REDACTED]** of **[REDACTED]**.

Research and Development Expenses

Our research and development expenses increased by 72.3% from RMB20.8 million in 2022 to RMB35.9 million in 2023, primarily due to an increase of RMB13.5 million in our raw material used in line with our increased research and development activities as we expanded our product offerings and developed more products that catered to the different preferences of customers from different geographic markets.

Net Impairment Losses/Reversal of Impairment on Financial Assets

We had net impairment losses on financial assets of RMB0.1 million in 2022, primarily representing expected credit loss arising from trade receivables aged over one year. We record net reversal of impairment on financial assets of RMB0.3 million in 2023, primarily due to an increase in our trade receivables aged under three months in line with the growth of our online retail sales, and a decrease in our trade receivables aged over one year due to a decrease in our number of ODM customers, who generally had longer credit terms.

Other Income

Our other income increased by 83.0% from RMB1.7 million in 2022 to RMB3.2 million in 2023, primarily due to an increase of RMB1.6 million in government grants as we received more government awards and subsidies in reward for achieving certain export performance targets.

Other Gains or Losses, Net

We had net other losses of RMB2.4 million in 2022 and net other gains of RMB15.5 million in 2023, primarily due to foreign exchange gains of RMB15.2 million in 2023, mainly attributable to an appreciation of the U.S. dollar against Renminbi.

Finance Income, Net

Our net finance income increased significantly from RMB2.3 million in 2022 to RMB7.1 million in 2023, primarily due to: (i) a RMB2.0 million increase in our finance income, mainly attributable to an increase in our interest income on bank deposits as our bank deposits increased; and (ii) a RMB2.9 million decrease in our finance costs, mainly attributable to: (a) a RMB1.7 million decrease in our interest expenses on borrowings as we repaid our current borrowings. See "— Indebtedness"; and (b) a RMB0.7 million decrease in our net exchange losses on foreign currency borrowings, mainly due to the effect of the U.S. dollar's depreciation against Renminbi on a US$2.0 million floating interest rate loan we took out in 2021 to fund our purchases of the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang Province, which we repaid in full in July 2023.

Income Tax Expenses

Our income tax expenses increased significantly from RMB18.0 million in 2022 to RMB41.8 million in 2023, primarily due to a significant increase in our taxable income.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased significantly from RMB108.5 million in 2022 to RMB236.5 million in 2023. Our net profit margin remained relatively stable at 14.1% in 2022 and 14.9% in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 13.8% from RMB675.3 million in 2021 to RMB768.5 million in 2022 due to an 87.3% increase in our revenue from branded business from RMB283.3 million in 2021 to RMB530.7 million in 2022, primarily attributable to our continued business expansion and strategic focus on developing this business segment to promote our own brand. In particular, our revenue from sales on Amazon also increased significantly from RMB63.7 million in 2021 to RMB162.2 million in 2022, primarily due to: (i) our launch of Amazon stores in various Western European countries; (ii) our introduction of region-specific products that catered to local consumer preferences on Amazon stores for different countries; and (iii) our effective sales strategy of selling our products as cookware sets instead of single items. Our revenue from sales on Tmall increased by 70.7% from RMB121.4 million in 2021 to RMB207.2 million in 2022, primarily due to the strong sales of our Cosy series of cookware and our portable coffee cups.

The foregoing increases were partially offset by a decrease of RMB154.3 million in our revenue from ODM business, primarily due to reduced sales volume as a result of: (i) our strategic diversion of resources from this business segment to branded business due to our focus on developing the latter; and (ii) a decrease in purchases from our ODM customers in overseas markets, especially Western Europe.

Cost of Sales

Our cost of sales decreased by 10.1% from RMB548.8 million in 2021 to RMB493.2 million in 2022, mainly due to: (i) a RMB74.2 million decrease in our raw materials and consumables used as we ceased our own production line and transitioned to a fully outsourced, asset-light model; and (ii) our increased bargaining power against suppliers as our business scale expanded.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB126.5 million in 2021 to RMB275.3 million in 2022. Our gross profit margin increased from 18.7% in 2021 to 35.8% in 2022, primarily due to a higher proportion of revenue contributed by our branded business, which generally carries a higher gross profit margin than our ODM business.

Our gross profit margin for branded business increased from 37.6% in 2021 to 45.9% in 2022, primarily because a higher proportion of our revenue was derived from cookware sets, which had a lower freight expense to revenue ratio than single items. Our gross profit margin for ODM business increased significantly from 5.1% in 2021 to 13.3% in 2022, primarily because the decrease in our cost of sales outpaced the decreased in our revenue for this business segment, mainly attributable to: (i) our increased bargaining power against suppliers as our business scale increased; and (ii) an increase in our average selling price per product, primarily due to our development of new products with more competitive features, which allowed us to negotiate for higher prices with our customers.

Selling Expenses

Our selling expenses increased by 91.9% from RMB56.7 million in 2021 to RMB108.8 million in 2022, primarily due to: (i) an increase of RMB30.0 million in marketing and advertising expenses, mainly attributable to our increased online marketing and promotional activities, primarily on Tmall and Amazon, to continue enhancing our brand awareness and engage new customers; (ii) an increase of RMB18.0 million in commission to e-commerce platforms, mainly attributable to our online sales growth and an increase in the number of platforms we collaborated with.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB20.3 million and RMB20.7 million in 2021 and 2022, respectively.

Research and Development Expenses

Our research and development expenses increased by 14.9% from RMB18.1 million in 2021 to RMB20.8 million in 2022, primarily due to an increase of RMB4.6 million in raw material used in research and development activities, which was mainly attributable to our development of more new products. The foregoing increase was partially offset by a decrease of RMB1.7 million in depreciation of property, plant and equipment.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB0.1 million in 2021 and 2022, respectively, primarily representing expected credit loss arising from our trade receivables aged over one year.

Other Income

Our other income increased significantly from RMB0.5 million in 2021 to RMB1.7 million in 2022, primarily due to an increase of RMB1.2 million in government grants, which was mainly attributable to: (i) a grant of RMB1.1 million awarded for our export activities; and (ii) a grant of RMB0.2 million awarded to subsidize our e-commerce activities.

Other Gains or Losses, Net

We recorded net other gains of RMB0.9 million in 2021 and net other losses of RMB2.4 million in 2022, primarily due to: (i) net loss on disposal of property, plant and equipment and right-of-use assets of RMB2.0 million; and (ii) net foreign exchange losses of RMB1.4 million, mainly attributable to the U.S. dollar depreciating against Renminbi, partially offset by RMB1.0 million in net fair value gains on financial assets at fair value through profit or loss in relation to gains on financial assets of RMB50.0 million that we purchased in 2022.

Finance Income, Net

Our net finance income decreased by 31.0% from RMB3.3 million in 2021 to RMB2.3 million in 2022, primarily due to: (i) net exchange losses on foreign currency borrowings of RMB0.7 million, mainly attributable to the effect of the U.S. dollar's appreciation against Renminbi on our foreign currency borrowings of US$2.0 million; (ii) a RMB0.6 million increase in interest expenses on borrowings, primarily because we made additional non-current secured bank borrowings to fund our capital expenditures on the two construction projects held by our then subsidiary, Gangle Kitchenware; and (iii) RMB0.3 million in losses from early payment of long-term payables in relation to our settlement of our long-term payables of RMB10.5 million ahead of the payment schedule in 2022. See "— Discussion of Certain Key Consolidated Balance Sheet Items — Non-Current Assets and Current Liabilities — Long-Term Payables".

Income Tax Expenses

Our income tax expenses increased significantly from RMB4.4 million in 2021 to RMB18.0 million in 2022, primarily due to a significant increase in our taxable income.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased significantly from RMB31.7 million in 2021 to RMB108.5 million in 2022, while our net profit margin increased from 4.7% in 2021 to 14.1% in 2022.

DISCUSSION OF CERTAIN KEY CONSOLIDATED BALANCE SHEET ITEMS

Current Assets and Current Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of January 31,
	2021	2022	2023	2024
	(RMB in millions)			
				(Unaudited)
Current assets				
Inventories	30.5	42.2	108.3	112.8
Trade receivables	63.6	55.3	73.9	69.5
Prepayments, other receivables, and other current assets	14.8	26.5	23.9	25.3
Short-term bank time deposits	—	77.4	89.0	89.0
Financial assets at fair value through profit or loss	40.0	50.1	—	—
Restricted cash	9.5	1.1	—	—
Cash and cash equivalents	97.7	42.5	236.1	232.3
Total current assets	**256.1**	**295.1**	**531.2**	**528.9**
Current liabilities				
Trade and bills payables	282.0	276.2	358.6	405.9
Other payables and accruals	31.8	62.5	11.3	10.4
Current income tax liabilities	4.7	18.4	33.5	21.6
Current borrowings	39.2	19.2	5.0	5.0
Current lease liabilities	1.2	1.4	2.7	2.8
Total current liabilities	**358.9**	**377.7**	**411.1**	**445.7**
Net current assets/(liabilities)	**(102.8)**	**(82.6)**	**120.1**	**83.2**

We had net current liabilities of RMB102.8 million as of December 31, 2021, primarily due to: (i) our relatively high other payables and accruals due to a RMB18.5 million interest-free loan we borrowed from Ms. Lyu, which we repaid in full in 2022; (ii) our relatively high current borrowings of RMB39.2 million, primarily comprising loans we borrowed in 2021 to finance our purchases of the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang; and (iii) our relatively low cash and cash equivalents due to our purchases of a large amount of long-term bank time deposits and the two aforementioned land parcels.

We had net current liabilities of RMB82.6 million as of December 31, 2022, primarily due to: (i) our relatively high other payables and accruals due to dividend payable of RMB50.0 million in relation to our dividend declaration in 2022; and (ii) our relatively low cash and cash equivalents. For risks related to our net current liabilities, see "Risk Factors — Risks Related to Our Business and Industry — We recorded net current liabilities as of December 31, 2021 and 2022, and we may also record net current liabilities in the future."

Our net current liabilities decreased by 19.6% from RMB102.8 million as of December 31, 2021 to RMB82.6 million as of December 31, 2022, primarily due to an increase in short-term bank time deposits as certain long-term bank time deposits approached their maturity dates and were reclassified as short-term bank time deposits.

We had net current assets of RMB120.1 million as of December 31, 2023. The improvement in our net current position was because the increase in our total current assets outpaced the increase in our total current liabilities, primarily due to: (i) a significant increase in our cash and cash equivalents as a result of our sales growth; (ii) a significant increase in our inventories in line with our sales growth; and (iii) an increase in our trade receivables in line with our increase in revenue.

Our net current assets decreased by 30.7% from RMB120.1 million as of December 31, 2023 to RMB83.2 million as of January 31, 2024, primarily due to an increase of RMB47.3 million in our trade and bills payables as a result of our increased purchases from suppliers in line with our business growth.

Inventories

Our inventories consist of raw materials and parts, work-in-progress goods, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in millions)	
Finished goods	25.0	42.1	107.4
Raw materials and parts	2.5	0.1	0.9
Work in progress	3.0	—	—
Total	**30.5**	**42.2**	**108.3**

Our inventories increased by 38.3% from RMB30.5 million as of December 31, 2021 to RMB42.2 million as of December 31, 2022, primarily due to an increase of RMB17.1 million in finished goods as we increased our goods in stock due to our business growth, in particular in overseas markets, where we stocked more inventory to cope with the relatively longer shipping time. The foregoing increase was partially offset by: (i) a decrease of RMB3.0 million in work-in-progress goods, which mainly comprised unfinished cookware, primarily because we ceased the operations of our own production line and transitioned to a fully outsourced, asset-light model in March 2022; and (ii) a decrease of RMB2.4 million in raw materials and parts, primarily because we reduced our purchase of raw materials and parts after our aforementioned transition.

Our inventories further increased significantly to RMB108.3 million as of December 31, 2023, primarily because we stocked more finished goods to meet the demand of our rapidly growing branded business.

The following table sets forth the average inventory turnover days for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Average inventory turnover days[1]	17.5	26.9	27.0

Note:

(1) Average inventory turnover days equal the average of the opening and closing inventory balances of the year indicated divided by the cost of sales of the same year and multiplied by 365 days.

Our average inventory turnover days increased from 17.5 days in 2021 to 26.9 days in 2022, primarily due to our increased sales in international markets, where we kept more finished goods in stock in overseas markets to cope with the long shipping time. Our average inventory turnover days remained stable at 27.0 days in 2023.

As of January 31, 2024, RMB84.9 million, or 78.4%, of our inventories as of December 31, 2023 had been sold or utilized.

Trade Receivables

Our trade receivables represent outstanding amount due from our customers and related parties for the purchase of goods we sold in the ordinary course of business, less allowance for impairment. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Trade receivables	63.7	55.5	74.0
Less: allowance for impairment	(0.1)	(0.2)	(0.1)
Total	**63.6**	**55.3**	**73.9**

Our trade receivables, net of allowance for impairment, decreased by 13.1% from RMB63.6 million as of December 31, 2021 to RMB55.3 million as of December 31, 2022, primarily due to a decrease in our trade receivables contributed by ODM customers, who generally had longer credit terms and turnover days than customers from our branded business, as we strategically diverted resources away from our ODM business. Our trade receivables, net of allowance for impairment, increased by 33.5% to RMB73.9 million as of December 31, 2023, primarily due to an increase in our revenue from branded business.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Less than three months	63.6	55.3	73.9
Three months to six months	—	—	—
Six months to nine months	—	—	—
Nine months to one year	0.1	0.0	—
More than one year	—	0.2	0.1
Total	**63.7**	**55.5**	**74.0**

Substantially all of our trade receivables were aged less than three months as of December 31, 2021, 2022, and 2023. Our trade receivables aged nine months and over consist of trade receivables from our ODM business and have been accounted for in our allowance for impairment.

The following table sets forth the number of turnover days for our trade receivables for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Average trade receivables turnover days(1)	33.6	28.3	14.9
Average trade receivables turnover days — branded business(2)	7.8	8.3	8.1
Average trade receivables turnover days — ODM business(3)	52.3	73.0	61.5

Notes:

(1) Average trade receivables turnover days equal the average of the opening and closing balances of gross carrying amount of trade receivables of the year indicated divided by the revenue of the same year and multiplied by 365 days.

(2) Average trade receivables turnover days — branded business equal the average of the opening and closing balances of gross carrying amount of trade receivables due from branded business of the year indicated divided by the revenue from branded business of the same year and multiplied by 365 days.

(3) Average trade receivables turnover days — ODM business equal the average of the opening and closing balances of gross carrying amount of trade receivables due from ODM business of the year indicated divided by the revenue from ODM business of the same year and multiplied by 365 days.

Our average trade receivables turnover days decreased from 33.6 days in 2021 to 28.3 days in 2022, and further decreased to 14.9 days in 2023, primarily due to the increase in the proportion of trade receivables from our branded business, which carried lower turnover days.

The average trade receivables turnover days of our branded business remained relatively stable at 7.8 days, 8.3 days, and 8.1 days in 2021, 2022, and 2023, respectively.

The average trade receivables turnover days of our ODM business increased from 52.3 days in 2021 to 73.0 days in 2022, mainly attributable to the longer shipping time to our overseas ODM customers due to the Covid-19 pandemic. As our ODM customers made payments to us upon receipt of goods, the prolonged shipping time led to an increase in our trade receivables turnover days. Such turnover days decreased to 61.5 days in 2023, after freight services gradually returned to normal with the lifting of pandemic measures.

As of January 31, 2024, RMB56.5 million, or 76.4%, of our trade receivables as of December 31, 2023 had been settled.

Short-Term Bank Time Deposits

Our short-term bank time deposits increased from nil as of December 31, 2021 to RMB77.4 million as of December 31, 2022, and further increased by 14.9% to RMB89.0 million as of December 31, 2023, primarily because certain long-term bank time deposits we made in 2021 approached their maturity dates at the end of 2022 and 2023, and were subsequently reclassified as short-term bank time deposits.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily consist of our investments in principal non-guaranteed short-term wealth management products issued by commercial banks. The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Investments in wealth management products issued by banks	40.0	50.1	—

Our financial assets at fair value through profit or loss increased by 25.2% from RMB40.0 million as of December 31, 2021 to RMB50.1 million as of December 31, 2022, primarily due to our purchase of RMB50.0 million of principal non-guaranteed short-term wealth management products in 2022 and recognition of net fair value gains on financial assets at fair value through profit or loss of RMB0.1 million. Our financial assets at fair value through profit or loss decreased to nil as of December 31, 2023 as we redeemed all of our wealth management products.

Our finance department is responsible for managing our investments in wealth management products. Our investment strategy related to wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs. We primarily invest in relatively low-risk wealth management products to minimize our risk exposure. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macroeconomic environment, general market conditions and the expected profit or potential loss of the investment.

Trade and Bills Payables

Trade payables represent our obligations to pay for goods or services that we have acquired in the ordinary course of business from our suppliers. Our bills payables have maturity terms ranging from 6 to 12 months.

The following table sets a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in millions)	
Trade payables	144.8	138.7	195.4
Bill payables	137.2	137.5	163.2
Total	**282.0**	**276.2**	**358.6**

Our trade and bills payables remained relatively stable at RMB282.0 million and RMB276.2 million as of December 31, 2021 and 2022, respectively. Our trade and bills payables increased by 29.8% to RMB358.6 million as of December 31, 2023, primarily due to an increase in our purchase of inventories from our contract manufacturers in line with the growth of our branded business.

The following table sets forth an aging analysis of our trade and bills payables based on invoice date as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Within three months	141.3	140.8	357.6
Between three months and one year	136.6	132.7	0.6
Over one year	4.1	2.8	0.4
Total	**282.0**	**276.2**	**358.6**

Our trade and bills payables aged within three months amounted to RMB141.3 million, RMB140.8 million, and RMB357.6 million as of December 31, 2021, 2022, and 2023, accounting for 50.1%, 51.0%, and 99.7% of our total trade and bills payables as of the same dates, respectively. The increase in the absolute amount and percentage of our trade and bills payables aged within three months were primarily due to our increased purchases from suppliers in line with the growth of our branded business. Our trade and bills payables aged between three months and one year amounted to RMB136.6 million, RMB132.7 million, and RMB0.6 million as of December 31, 2021, 2022, and 2023, respectively. Our trade and bills payables aged over one year amounted to RMB4.1 million, RMB2.8 million, and RMB0.4 million as of December 31, 2021, 2022, and 2023, respectively. The significant decrease in our trade and bills payables aged three months and over in 2023 was primarily due to a decrease in our purchases from suppliers for raw materials and consumables, who generally granted us longer credit periods, after we ceased our own production line and transitioned to a fully outsourced, asset-light model in 2022.

The following table sets forth the number of turnover days for our trade and bills payables for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Average trade and bills payables turnover days(1)	148.0	206.6	113.8
Average trade payables turnover days(2)	86.8	104.9	59.9

Notes:

(1) Average trade and bills payables turnover days equal the average of the opening and closing balances of trade and bills payables of the year indicated divided by the cost of sales of the same year and multiplied by 365 days.

(2) Average trade payables turnover days equal the average of the opening and closing balances of trade payables of the year indicated divided by the cost of sales of the same year and multiplied by 365 days.

Our average trade and bills payables turnover days increased from 148.0 days in 2021 to 206.6 days in 2022, while our average trade payables turnover days also increased from 86.8 days in 2021 to 104.9 days in 2022, primarily due to an increase in our procurement of cookware inventories, as our cookware suppliers generally granted us longer credit terms and we issued more bills payables to such suppliers.

Our average trade and bills payables turnover days decreased to 113.8 days in 2023, while our average trade payables turnover days also decreased to 59.9 days in 2023, primarily due to an increase in our proportion of trade payables from our procurement of non-cookware inventories, as the suppliers for such products generally granted us shorter credit terms.

As of January 31, 2024, RMB128.0 million, or 65.5%, of our trade and bills payables as of December 31, 2023 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of other payables due from related parties and tax payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Other taxes payables	4.2	6.3	4.7
Accrued freight expenses	1.9	2.6	3.5
Payroll and welfare payables	2.9	0.7	2.6
Dividend payable	—	50.0	—
Amount due to related parties	20.7	2.2	—
Accrued marketing and advertising expenses	0.4	0.2	—
Current portion of long-term payables	1.6	—	—
Others(1)	0.1	0.5	0.4
Total	**31.8**	**62.5**	**11.2**

Note:

(1) Represent repairment expenses, office expenses, handling expenses, and testing expenses.

Our other payables and accruals increased by 96.5% from RMB31.8 million as of December 31, 2021 to RMB62.5 million as of December 31, 2022, primarily due to a RMB50.0 million increase in our dividend payable, representing our declaration of dividends in 2022, which we subsequently distributed in 2023. The foregoing increase was partially offset by a RMB18.5

million decrease in our payables due to related parties as a result of our repayment of our interest-free loan borrowed from Ms. Lyu. See "— Related Party Transactions".

Our other payables and accruals further decreased by 82.1% from RMB62.5 million as of December 31, 2022 to RMB11.2 million as of December 31, 2023, primarily because our dividend payable decreased to nil as we did not declare any dividends in 2023.

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)		
Non-current assets			
Property, plant and equipment	17.4	115.4	11.0
Right-of-use assets	61.0	58.4	6.9
Long-term bank time deposits	104.5	81.1	80.1
Deferred tax assets	1.1	3.1	6.9
Total non-current assets	**184.0**	**258.0**	**104.9**
Non-current liabilities			
Non-current borrowings	—	37.3	—
Long-term lease liabilities	2.2	0.8	2.0
Deferred tax liabilities	0.0	—	0.3
Long-term payables	8.5	—	—
Total non-current liabilities	**10.7**	**38.1**	**2.3**
Net assets	**70.3**	**137.3**	**222.6**

Property, Plant and Equipment

Our property, plant and equipment increased significantly from RMB17.4 million as of December 31, 2021 to RMB115.4 million as of December 31, 2022, primarily due to: (i) the construction of dormitory facilities and warehouse facilities by our then subsidiary, Gangle Kitchenware, comprising one project with a book value of RMB64.0 million as of December 31, 2022, and another project with a book value of RMB41.4 million as of December 31, 2022; and (ii) our purchase of additional transportation equipment.

Our property, plant and equipment decreased by 90.5% to RMB11.0 million as of December 31, 2023, primarily due to the split-off of Gangle Kitchenware from Zhejiang Carote pursuant to a corporate division agreement entered into between Zhejiang Carote and Zhejiang Leshengen on February 3, 2023. Pursuant to the agreement, Zhejiang Leshengen held the Yongkang Land Parcel and all construction projects thereon, as well as the entire equity interest in Gangle Kitchenware, which held the land parcel in Wuyi County, Zhejiang and the two construction projects thereon. For details, see "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company and Our Major Subsidiaries — Major Shareholding Changes of Zhejiang Carote — Division of Zhejiang Carote completed in February 2023".

Right-of-Use Assets

Our right-of-use assets consist of land use rights and leased buildings for our office in Hangzhou and certain of our factories. Our right-of-use assets decreased by 4.2% from RMB61.0 million as of December 31, 2021 to RMB58.4 million as of December 31, 2022, primarily due to (i) amortization of our leased buildings of RMB1.4 million, and (ii) amortization of our land use rights of RMB1.2 million. Our right-of-use assets further decreased by 88.2% to RMB6.9 million as of December 31, 2023, primarily due to a decrease in our land use rights as a result of the split-off of Gangle Kitchenware.

Long-Term Payables

The following table sets forth a breakdown of our long-term payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Long-term payables	10.0	—	—
Less: current portion of long-term payables	(1.5)	—	—
Total	**8.5**	**—**	**—**

Our related parties, Mr. Li Zhifei ("**Mr. Li**"), cousin of Ms. Lyu, and Zhejiang Xinjie Industry and Trade Co., Ltd. ("**Xinjie**"), controlled by close family members of Ms. Lyu, borrowed loans of RMB7.4 million from Zhejiang Tailong Commercial Bank in 2016 and RMB12.0 million from Zhejiang Chouzhou Commercial Bank in 2018. We acted as guarantor for the aforementioned loans. Mr. Li and Xinjie defaulted on their payment obligations to the banks due to financial difficulties. As their guarantor, we subsequently assumed the obligations to repay the outstanding loan balance. We subsequently entered into a repayment agreement with the banks in 2018, pursuant to which we agreed to make annual payments of RMB1.9 million to the banks from 2018 to 2027. In 2018, we recognized long-term payables of RMB16.0 million, representing the present value of our total payment obligation under the repayment agreement. We made annual payments of RMB1.9 million to the banks from 2018 to 2021 and fully settled the remaining RMB10.5 million in 2022. As a result, our long-term payables were fully repaid prior to December 31, 2022 and we charged approximately RMB0.3 million as finance cost for the losses of early payment in 2022. For details, see note 28 to the Historical Financial Information in the Accountants' Report included in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operations and bank borrowings. We had cash and cash equivalents of RMB97.7 million, RMB42.5 million, and RMB236.1 million as of December 31, 2021, 2022 and 2023, respectively. Our cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the **[REDACTED]** received from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds, and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Net cash flows generated from operating activities	122.0	128.7	243.9
Net cash flows (used in)/generated from investing activities	(95.5)	(184.0)	48.1
Net cash flows generated from/(used in) financing activities	34.9	0.6	(98.2)
Net increase/(decrease) in cash and cash equivalents	**61.4**	**(54.7)**	**193.8**
Cash and cash equivalents at beginning of year	36.3	97.7	42.5
Effects of exchange rate changes on cash and cash equivalents	0.0	(0.5)	(0.2)
Cash and cash equivalents at end of year	**97.7**	**42.5**	**236.1**

Cash Flows from/(Used in) Operating Activities

Our cash flows from operating activities consisted of revenue from our branded business and ODM. Cash flow from operating activities reflects: (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation of property, plant and equipment and right-of-use assets, and net exchange differences; and (ii) the effects of movements in working capital.

In 2023, we had cash generated from operating activities of RMB274.3 million. This amount represented our profit before tax of RMB278.3 million, adjusted for non-cash and non-operating items, primarily (i) finance costs of RMB7.1 million, (ii) depreciation of property, plant and equipment and right-of-use assets of RMB4.5 million, and (iii) share-based payment expenses of RMB1.6 million. The amount was further adjusted by changes in certain working capital accounts, primarily: (i) an increase of RMB82.4 million in trade and bills payables, primarily due to our increased purchases from suppliers in line with our business expansion; (ii) an increase of RMB66.1 million in inventories, primarily because we stocked more finished goods to meet the demand of our rapidly growing branded business; and (iii) an increase of RMB18.7 million in trade receivables in line with our revenue growth.

In 2022, we had cash generated from operating activities of RMB134.8 million. This amount represented our profit before tax of RMB126.5 million, adjusted for non-cash and non-operating items, primarily (i) depreciation of property, plant and equipment and right-of-use assets of RMB4.4 million, (ii) finance costs of RMB2.3 million, (iii) losses on disposal of property, plant and equipment of RMB2.0 million, and (iv) net exchange differences of RMB1.7 million. The amount was further adjusted by changes in certain working capital accounts, primarily: (i) an increase of RMB14.3 million in other operating liabilities, primarily due to an increase in the payroll amount; and (ii) an increase of RMB11.7 million in inventories in line with our sales growth.

In 2021, we had cash generated from operating activities of RMB124.4 million. This amount represented our profit before tax of RMB36.0 million, adjusted for non-cash and non-operating items, primarily (i) depreciation of property, plant and equipment and right-of-use assets of RMB5.7 million and (ii) finance costs of RMB3.3 million. The amount was further adjusted by changes in certain working capital accounts, primarily: (i) an increase of RMB118.9 million in trade and bills payables, primarily due to an increase in our purchases from suppliers in line with our business growth; (ii) an increase of RMB18.8 million in other operating liabilities, primarily due to an increase in the payroll amount; (iii) an increase of RMB18.4 million in other operating assets, primarily due to an increase in the amount reserved for refund payment on Amazon as our sales on Amazon increased; and (iv) an increase of RMB15.1 million in trade receivables in line with our revenue growth.

Cash Flows from/(Used in) Investing Activities

Our cash outflows from investing activities primarily consisted of payments for financial assets at fair value through profit or loss payments, short-term bank time deposits, long-term bank time deposits, property, plant and equipment, and land use rights. Our cash inflows from investing activities primarily consisted of proceeds from disposal of financial assets at fair value through profit or loss, short-term bank time deposits, and long-term bank time deposits.

In 2023, we had net cash generated from investing activities of RMB48.1 million, mainly attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB260.3 million, partially offset by payments for financial assets at fair value through profit or loss of RMB210.1 million.

In 2022, we had net cash used in investing activities of RMB184.0 million, mainly attributable to: (i) payments for property, plant and equipment of RMB117.4 million, primarily in relation to the construction projects held by Gangle Kitchenware; and (ii) payment for short-term bank time deposits of RMB77.4 million.

In 2021, we had net cash used in investing activities of RMB95.5 million, mainly attributable to: (i) payments for land use rights of RMB57.0 million, primarily due to our acquisition of the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang Province; (ii) payments for financial assets at fair value through profit or loss of RMB562.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB544.4 million; (iii) payments for long-term bank time deposits of RMB29.0 million, partially offset by proceeds from long-term bank deposits of RMB16.3 million; and (iv) payments for property, plant and equipment of RMB13.7 million, primarily to acquire production equipment for our own production line, partially offset by proceeds from sales of property, plant and equipment and right-of-use assets of RMB3.0 million.

Cash Flows from/(Used in) Financing Activities

Our cash inflows from financing activities consisted of amounts received from investment absorption and proceeds from borrowings. Our cash outflows from financing activities consisted of repayments of borrowings, dividends paid to our shareholders, and payments of lease liabilities and **[REDACTED]**.

In 2023, we had net cash used in financing activities of RMB98.2 million, mainly attributable to: (i) deemed distribution to shareholders pursuant to the Reorganization of RMB67.7 million; (ii) dividends paid to our then shareholders of RMB50.0 million; and (iii) repayment of borrowings of RMB19.2 million. The foregoing were partially offset by **[REDACTED]** received by us pursuant to deemed distribution to shareholders of RMB38.2 million.

In 2022, we had net cash generated from financing activities of RMB0.6 million, mainly attributable to: (i) proceeds from borrowings of RMB50.7 million, partially offset by repayments of borrowings of RMB34.4 million; and (ii) cash contributions received from our shareholders of RMB5.9 million. The foregoing were partially offset by repayment of loans from a related party of RMB18.5 million in relation to our repayment of an interest-free loan from Ms. Lyu. See "— Related Party Transactions".

In 2021, we had net cash generated from financing activities of RMB34.9 million, mainly attributable to: (i) proceeds from borrowings of RMB47.6 million, partially offset by repayments of borrowings of RMB16.5 million; and (ii) cash contributions received from our shareholders of RMB19.1 million. The foregoing were partially offset by repayment of loans from a related party of RMB12.5 million in relation to our repayment of an interest-free loan from Ms. Lyu. See "— Related Party Transactions".

INDEBTEDNESS

During the Track Record Period, our indebtedness included current borrowings, non-current borrowings, current lease liabilities, and long-term lease liabilities. As of January 31, 2024, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB9.8 million. As of January 31, 2024, we had no unutilized banking facilities.

The following table sets forth the balance and breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of January 31,
	2021	2022	2023	2024
	(RMB in millions)			
				(Unaudited)
Current borrowings	39.2	19.2	5.0	5.0
Non-current borrowings	—	37.3	—	—
Current lease liabilities	1.2	1.4	2.7	2.8
Non-current lease liabilities	2.2	0.8	2.0	2.0
Total	**42.6**	**58.7**	**9.7**	**9.8**

Our current borrowings consist of secured short-term bank loans. Our current borrowings decreased from RMB39.2 million as of December 31, 2021 to RMB19.2 million as of December 31, 2022, and further decreased to RMB5.0 million as of December 31, 2023, due to our repayment of loans we borrowed in 2021 to finance our purchases of the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang.

We had non-current borrowings of RMB37.3 million as of December 31, 2022, comprising secured bank loans we borrowed to finance the construction projects held by Gangle Kitchenware. We had nil non-current borrowings as of December 31, 2023 after the split-off of Gangle Kitchenware in early 2023, as the aforementioned loans were under Gangle Kitchenware.

Except as disclosed above, as of the Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise purchases of property, plant and equipment and land use rights. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
		(RMB in millions)	
Cash paid for property, plant and equipment	13.7	117.4	5.9
Cash paid for land use rights	57.0	—	—
Total	**70.7**	**117.4**	**5.9**

During the Track Record Period, we incurred capital expenditure primarily for our purchase of land parcels, namely the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang Province, as well as property, plant and equipment for the construction projects held by Gangle Kitchenware in 2021 and 2022. See "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company and Our Major Subsidiaries — Major Shareholding Changes of Zhejiang Carote — Division of Zhejiang Carote completed in February 2023". As of December 31, 2021, 2022, and 2023, our capital expenditure totaled RMB70.7 million, RMB117.4 million and RMB5.9 million, respectively.

CAPITAL COMMITMENTS

As of December 31, 2021 and 2022, we had capital commitments of RMB113.5 million and RMB57.4 million, respectively, primarily in relation to the construction projects held by our then subsidiary, Gangle Kitchenware. We had no significant capital commitments as of December 31, 2023 after the split-off of Gangle Kitchenware. For details on our capital commitments, see note 31 to the to the Historical Financial Information in the Accountants' Report included in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

	As of/Year ended December 31,		
	2021	2022	2023
Gearing ratio[(1)]	60.5%	42.8%	4.4%
Debt ratio[(2)]	9.7%	10.6%	1.5%
Current ratio[(3)]	0.7	0.8	1.3
Return on equity[(4)]	44.9%	79.0%	106.2%
Return on assets[(5)]	7.2%	19.6%	37.2%

Notes:

(1) Gearing ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total equity as of the end of the year indicated.

(2) Debt ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total assets as of the end of the year indicated.

(3) Current ratio equals total current assets divided by total current liabilities as of the end of the year indicated.

(4) Return on equity equals net profit for the year indicated divided by total equity as of the end of the same year.

(5) Return on assets equals net profit for the year indicated divided by total assets as of the end of the same year.

Gearing Ratio

Our gearing ratio decreased from 60.5% as of December 31, 2021 to 42.8% as of December 31, 2022, primarily because the increase in our total equity outpaced the increase in our total debts. The increase in our total equity was mainly attributable to: (i) an increase of RMB48.6 million in retained earnings from increase in profit for the year; and (ii) an increase of RMB18.5 million in other reserves due to conversion of foreign currencies into Renminbi.

Our gearing ratio further decreased significantly to 4.4% in 2023 due to: (i) a decrease of RMB48.9 million in our total debts, mainly attributable to a decrease of RMB37.3 million in non-current borrowings and a decrease of RMB14.2 million in current borrowings; and (ii) an increase of RMB85.4 million in our total equity, mainly attributable to (a) an increase of RMB237.1 million in retained earnings from increase in profit for the year, and (b) an increase in share premium of RMB137.2 million due to capital injection from new investors, partially offset by a decrease of RMB290.8 million in reserves, primarily due to the split-off of Gangle Kitchenware. See "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company and Our Major Subsidiaries — Major Shareholding Changes of Zhejiang Carote — Division of Zhejiang Carote completed in February 2023".

Debt Ratio

Our debt ratio remained relatively stable at 9.7% and 10.6% as of December 31, 2021 and 2022, respectively. Our debt ratio decreased to 1.5% as of December 31, 2023, primarily due to a decrease in our total debts and an increase in our total equity, as discussed in "— Gearing Ratio".

Current Ratio

Our current ratio remained relatively stable at 0.7 and 0.8 as of December 31, 2021 and 2022, respectively. Our current ratio increased to 1.3 as of December 31, 2023, primarily because the increase in our current assets outpaced the increase in our current liabilities. The increase in our current assets was mainly attributable to: (i) an increase of RMB193.6 million in our cash and cash equivalents; and (ii) an increase of RMB66.1 million in our inventories.

Return on Equity

Our return on equity increased from 44.9% in 2021 to 79.0% in 2022, and further increased to 106.2% in 2023, primarily due to the significant increase in our profit for the year.

Return on Assets

Our return on assets increased from 7.2% in 2021 to 19.6% in 2022, and further increased to 37.2% in 2023, primarily due to the significant increase in our profit for the year.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our balances with related parties as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in millions)	
Trade in nature			
Trade receivables from Shijimei	2.3	—	—
Other receivables from Zhejiang Leshengen	—	—	0.4
Trade payables to Yangxi	(4.5)	—	—
Other payables to Shijimei	(2.2)	(2.2)	—
Lease liabilities to Zhejiang Leshengen	—	—	(4.0)
	(4.4)	(2.2)	(3.6)
Non-trade in nature			
Other receivables from related parties	6.3	6.9	0.0
Other payables to related parties	(18.5)	—	—
Total	**(16.6)**	**4.7**	**(3.6)**

During the Track Record Period, we entered into transactions with our related parties that are trade in nature, primarily: (i) Yongkang Shijimei Trading Co., Ltd. (永康市時集美貿易有限公司) ("**Shijimei**"), a company primarily engaged in the sales of household goods that is controlled by close family members of Ms. Lyu; (ii) Yongkang Yangxi Color Printing Packaging Factory (永康市楊溪彩印包裝廠) ("**Yangxi**"), a supplier of packaging materials controlled by Ms. Lyu; and (iii) Zhejiang Leshengen, controlled by Mr. Zhang and Ms. Lyu. For details of such transactions, see note 34 to the Historical Financial Information in the Accountants' Report included in Appendix I to this document.

Our other receivables from related parties that are non-trade in nature primarily consisted of: (i) an interest-free loan of RMB4.0 million to Shijimei in 2021, who repaid us in full in 2023; (ii) receivables of RMB2.0 million due from Xinjie as of December 31, 2021, who paid us RMB1.0 million in 2022 and RMB1.0 million in 2023 pursuant to its agreement with us; and (iii) an interest-free loan of RMB1.9 million to Ms. Lyu in 2022, who repaid us in full in 2023.

Our other payables to related parties that are non-trade in nature comprised an interest-free loan of RMB18.5 million from Ms. Lyu, which we repaid in full in 2022. All our amounts due to related parties were fully settled as of December 31, 2023.

As of the Latest Practicable Date, we had settled all non-trade amounts due from and to related parties. Any related party transactions after the **[REDACTED]** will be conducted in compliance with the applicable Listing Rules.

It is the view of our Directors that each of the related party transactions set out in note 34 of the Accountants' Report in Appendix I to this document (i) were conducted on arm's length basis and on normal commercial terms, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our financial results during the Track Record Period or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We do not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

For details of our financial risk factors, see note 3.1 to the Historical Financial Information in the Accountants' Report included in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, we declared dividends of RMB50.0 million in 2022, which we subsequently distributed in 2023. On March 4, 2024, we declared dividends of RMB100.0 million to our then shareholders, which are expected to be distributed before the **[REDACTED]**. See "— Recent Developments."

We intend to adopt, before the **[REDACTED]**, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than [20.0]% of our distributable net profit in the future, after deducting any significant capital expenditures cost of mergers and acquisitions and costs of mergers and acquisitions. Any future declarations and payments of dividends will be determined based on our results of operations, cash flows, financial position, Shareholders' interests, general business conditions and strategies, capital requirements, future business prospects, statutory and regulatory restriction on the payment of dividends by us, and other factors that our Board of Directors may consider relevant.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. Under the laws of the Cayman Islands, the financial position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that immediately after payment of such dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. The PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we had RMB328.1 million in distributable reserves, available for distribution to our shareholders.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

[REDACTED]

Our **[REDACTED]** represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]**, and no exercise of the **[REDACTED]**, we estimate that our **[REDACTED]** will be approximately **[REDACTED]**, accounting for approximately **[REDACTED]** of our gross **[REDACTED]**, including (i) **[REDACTED]** expenses of approximately **[REDACTED]**, and (ii) **[REDACTED]** expenses of approximately **[REDACTED]**, comprising (a) sponsor fee of approximately **[REDACTED]**, (b) fees and expenses of legal advisors and Reporting Accountant of approximately **[REDACTED]**, and (c) other fees and expenses of approximately **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** of approximately **[REDACTED]**, which was charged to our consolidated statements of profit or loss. We expect to further incur **[REDACTED]** of approximately **[REDACTED]** upon completion of the **[REDACTED]**, out of which approximately **[REDACTED]** is expected to be charged to our consolidated statements of profit or loss and approximately **[REDACTED]** is expected to be deducted from equity. The **[REDACTED]** above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the **[REDACTED]** on the net tangible assets of our Group attributable to owners of our Company as of December 31, 2023 as if the **[REDACTED]** had taken place on that date, assuming the **[REDACTED]** is not exercised.

The unaudited **[REDACTED]** statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of our Company had the **[REDACTED]** been completed as of December 31, 2023 or any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2023	Estimated [REDACTED] from the [REDACTED](2)	Unaudited [REDACTED] adjusted net tangible assets attributable to owners of the Company as of December 31, 2023	Unaudited [REDACTED] adjusted net tangible assets per [REDACTED]	
		(RMB in millions)		*RMB*	*HK$(4)*
Based on an **[REDACTED]** of **[REDACTED]** per Share	222.7	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of **[REDACTED]** per Share	222.7	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as of December 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of December 31, 2023 of approximately RMB222,664,000, with an adjustment for the intangible assets of nil as December 31, 2023.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the individual **[REDACTED]** of **[REDACTED]** and **[REDACTED]** per **[REDACTED]**, being the lower end to higher end of the stated **[REDACTED]** range, respectively, and **[REDACTED]** **[REDACTED]** expected to be issued under the **[REDACTED]**, after deduction of the **[REDACTED]** fees and other related expenses payable by the Company (excluding **[REDACTED]** of **[REDACTED]** which have been accounted for in the Group’s consolidated statements of profit or loss prior to December 31, 2023), and takes no account of any Shares which may fall to be **[REDACTED]** upon the exercise of the **[REDACTED]** or any Shares which may be **[REDACTED]** or repurchased by the Company pursuant to the general mandates.

(3) The unaudited **[REDACTED]** adjusted net tangible assets per **[REDACTED]** is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares are in issue, assuming the **[REDACTED]** had been completed on December 31, 2023, but takes no account of any Shares which may fall to be **[REDACTED]** upon the exercise of the **[REDACTED]** or any Shares which may be **[REDACTED]** or repurchased by the Company pursuant to the general mandates.

(4) For the purpose of this unaudited **[REDACTED]** statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK$1.00 to RMB[0.9104]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) The unaudited **[REDACTED]** adjusted net tangible assets of the Group does not take into account the dividend of RMB100,000,000 declared by the Company on March 4, 2024. The unaudited **[REDACTED]** adjusted net tangible assets per Share would have been **[REDACTED]** (equivalent to **[REDACTED]**) and **[REDACTED]** (equivalent to **[REDACTED]**) per Share based on the indicative **[REDACTED]** of **[REDACTED]** and **[REDACTED]**, respectively, after taking into account the declaration of dividend of RMB100,000,000.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2023.

FUTURE PLANS

See "Business — Our Strategies" in this document for a detailed description of our future plans.

[REDACTED]

Assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of between **[REDACTED]** and **[REDACTED]** per **[REDACTED]**), we estimate that we will receive **[REDACTED]** of approximately **[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised.

We intend to use our **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately **[REDACTED]**% (or **[REDACTED]**) is expected to be used for pursuing acquisition and investment opportunities.

  - We aim to enhance our brand positioning by acquiring established, renowned cookware brands or forming joint venture with them, thereby building a high-end cookware line. Our primary focus includes brands specializing in non-stick cookware that complement our existing offerings, as well as those that offer premium products made from materials such as cast iron and stainless steel. As of the Latest Practicable Date, we have not identified any targets for acquisition or for forming joint ventures.

  - Furthermore, we plan to broaden our product portfolio by acquiring or investing in emerging kitchenware and household goods brands that align with our vision. Specifically, we will conduct a global search for brands that are in their growth phase and specialize in developing and producing products beyond cookware, such as kitchen appliances and other household items. Ideal candidates will be brands that are smaller in scale compared to us but demonstrate strong potential for development and innovation, even if their sales channels and supply chains are not fully developed. In addition, these brands should have management teams that possess critical market insights, a commitment to product innovation, and the ability to develop dynamic brands. As of the Latest Practicable Date, we have not identified any targets for acquisition or investment.

- Approximately **[REDACTED]**% (or **[REDACTED]**) is expected to be used for product development. This investment will (i) support research and development efforts to enhance the practical features of our existing product lines; (ii) fund the development of new products to broaden our product range, including expanding our knife collection and introducing additional drinkware and small kitchen appliances, particularly for international markets; and (iii) fund the hiring of more product design and development personnel.

- Approximately **[REDACTED]**% (or **[REDACTED]**) is expected to be used for sales channel expansion, including (i) establishing partnerships with additional online platforms to increase our market share across key markets, (ii) further investing in our dedicated brand website accompanied by targeted marketing initiatives to enhance brand awareness, and (iii) investing in frontline staff and supporting infrastructure, such as warehousing space for inventories in overseas markets.

- Approximately **[REDACTED]**% (or **[REDACTED]**) is expected to be used for ESG-related investments, which may include: researching and adopting sustainable materials for our cookware products, such as recycled and biodegradable materials; recruiting experts in ESG practices and providing comprehensive training to our team to integrate ESG principles across our daily operations; implementing projects focused on energy conservation within our operations to reduce our carbon footprint; and collaborating with suppliers to employ energy-efficient technologies and processes to enhance the overall ESG performance of our supply chain.

- Approximately **[REDACTED]**% (or **[REDACTED]**) is expected to be used for working capital and other general corporate purposes.

In the event that the **[REDACTED]** is set at the **[REDACTED]** or the **[REDACTED]** of the **[REDACTED]**, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately **[REDACTED]**, respectively.

The additional **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be (i) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the **[REDACTED]**), (ii) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]**) and (iii) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the **[REDACTED]**).

To the extent that the **[REDACTED]** from the **[REDACTED]** (including the **[REDACTED]** from the exercise of the **[REDACTED]**) are either more or less than expected, we will adjust our allocation of the **[REDACTED]** for the above purposes on a pro rata basis.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages [I-[1]] to I-[2]], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the joint sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CAROTE LTD AND BNP PARIBAS SECURITIES (ASIA) LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED (IN ALPHABETICAL ORDER)

Introduction

We report on the historical financial information of Carote Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-[4] to I-[94]], which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023, the company statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-[4] to I-[94]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2023 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-[4]] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	675,345	768,482	1,583,082
Cost of sales	*8*	(548,822)	(493,192)	(1,017,941)
Gross profit		126,523	275,290	565,141
Selling expenses	*8*	(56,686)	(108,758)	(245,400)
Administrative expenses	*8*	(20,325)	(20,727)	(31,636)
Research and development expenses	*8*	(18,124)	(20,822)	(35,885)
Net (impairment losses)/reversal of impairment on financial assets	*3.1*	(121)	(143)	274
Other income	*6*	519	1,745	3,194
Other gains/(losses) — net	*7*	913	(2,443)	15,500
Operating profit		32,699	124,142	271,188
Finance income	*10*	4,862	5,453	7,447
Finance costs	*10*	(1,518)	(3,145)	(322)
Finance income — net		3,344	2,308	7,125
Profit before income tax		36,043	126,450	278,313
Income tax expense	*11*	(4,388)	(17,962)	(41,839)
Profit for the year		31,655	108,488	236,474
Profit attributable to:				
Owners of the Company		31,718	108,770	237,132
Non-controlling interests		(63)	(282)	(658)
		31,655	108,488	236,474
Earnings per share attributable to the equity holders of the Company (in RMB)				
Basic and diluted	*12*	0.08	0.27	0.59

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		31,655	108,488	236,474
Other comprehensive (loss)/income:				
Items that may be reclassified to profit or loss				
Currency translation differences on translation of foreign operations		(405)	2,456	3,062
Item that will not be reclassified to profit or loss				
Currency translation differences on translation from functional currency of the Company to presentation currency		—	—	(42)
Other comprehensive (loss)/income for the year, net of tax		(405)	2,456	3,020
Total comprehensive income for the year		31,250	110,944	239,494
Total comprehensive income/(loss) attributable to:				
Owners of the Company		31,311	111,222	240,149
Non-controlling interests		(61)	(278)	(655)
		31,250	110,944	239,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	17,337	115,305	10,955
Right-of-use assets	*15*	60,984	58,447	6,905
Long-term bank time deposits	*20*	104,515	81,147	80,146
Deferred tax assets	*29*	1,136	3,103	6,865
Investments accounted for using the equity method	*33*	—	—	*
		183,972	258,002	104,871
Current assets				
Inventories	*16*	30,493	42,171	108,282
Trade receivables	*17*	63,628	55,307	73,854
Prepayments, other receivables and other current assets	*18*	14,679	26,536	24,034
Short-term bank time deposits	*20*	—	77,392	88,952
Financial assets at fair value through profit or loss	*19*	40,000	50,062	—
Restricted cash	*20*	9,530	1,140	—
Cash and cash equivalents	*20*	97,738	42,480	236,064
		256,068	295,088	531,186
Total assets		440,040	553,090	636,057
EQUITY				
Share capital	*21*	—	—	1,460
Share premium	*21*	—	—	137,208
Shares held for shares award scheme	*21*	—	—	(6)
Reserves	*22*	28,179	46,636	(244,115)
Retained earnings		42,345	90,985	328,117
		70,524	137,621	222,664
Non-controlling interests		(90)	(368)	(43)
Total equity		70,434	137,253	222,621

*: The balance represents an amount less than RMB1,000.

		As at December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*27*	—	37,323	—
Lease liabilities	*15*	2,189	803	2,028
Deferred tax liabilities	*29*	25	—	303
Long-term payables	*28*	8,474	—	—
		10,688	38,126	2,331
Current liabilities				
Trade and bills payables	*25*	281,968	276,232	358,634
Other payables and accruals	*26, 28*	31,824	62,535	11,206
Current income tax liabilities		4,693	18,352	33,522
Borrowings	*27*	39,207	19,206	5,004
Lease liabilities	*15*	1,226	1,386	2,739
		358,918	377,711	411,105
Total liabilities		369,606	415,837	413,436
Total equity and liabilities		440,040	553,090	636,057

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2023
		RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	*1.2*	139,580
Current assets		
Prepayments, other receivables and other current assets	*18*	1,987
Cash and cash equivalents	*20*	75
		2,062
Total assets		**141,642**
EQUITY		
Share capital	*21*	1,460
Share premium	*21*	137,208
Shares held for shares award scheme	*21*	(6)
Reserves	*22*	1,556
Accumulated losses		(1,283)
Total equity		**138,935**
LIABILITIES		
Current liabilities		
Other payables and accruals	*26*	2,707
Total equity and liabilities		**141,642**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021		—	—	6,858	13,230	20,088	(29)	20,059
Comprehensive income/(loss)								
Profit/(loss) for the year		—	—	—	31,718	31,718	(63)	31,655
Currency translation differences on translation of foreign operations		—	—	(407)	—	(407)	2	(405)
Total comprehensive income/(loss)		**—**	**—**	**(407)**	**31,718**	**31,311**	**(61)**	**31,250**
Transaction with owners in their capacity as owners								
Cash contributions from the then shareholders	*22*	—	—	19,125	—	19,125	—	19,125
Appropriation to statutory reserve	*22*	—	—	2,603	(2,603)	—	—	—
Transaction with owners in their capacity as owners		**—**	**—**	**21,728**	**(2,603)**	**19,125**	**—**	**19,125**
As at December 31, 2021		**—**	**—**	**28,179**	**42,345**	**70,524**	**(90)**	**70,434**

		Attributable to owners of the Company						
	Note	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022		—	—	28,179	42,345	70,524	(90)	70,434
Comprehensive income/(loss)								
Profit/(loss) for the year		—	—	—	108,770	108,770	(282)	108,488
Currency translation differences on translation of foreign operations		—	—	2,452	—	2,452	4	2,456
Total comprehensive income/(loss)		**—**	**—**	**2,452**	**108,770**	**111,222**	**(278)**	**110,944**
Transaction with owners in their capacity as owners								
Cash contributions from the then shareholders	*22*	—	—	5,875	—	5,875	—	5,875
Appropriation to statutory reserve	*22*	—	—	10,130	(10,130)	—	—	—
Dividend distribution to the then shareholders	*13*	—	—	—	(50,000)	(50,000)	—	(50,000)
Transaction with owners in their capacity as owners		**—**	**—**	**16,005**	**(60,130)**	**(44,125)**	**—**	**(44,125)**
As at December 31, 2022		**—**	**—**	**46,636**	**90,985**	**137,621**	**(368)**	**137,253**

	Note	Attributable to owners of the Company							
		Share capital	Share premium	Shares held for shares award scheme	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023		—	—	—	46,636	90,985	137,621	(368)	137,253
Comprehensive income/(loss)									
Profit/(loss) for the year		—	—	—	—	237,132	237,132	(658)	236,474
Currency translation differences on translation of foreign operations		—	—	—	3,059	—	3,059	3	3,062
Currency translation differences on translation from functional currency of the Company to presentation currency		—	—	—	(42)	—	(42)	—	(42)
Total comprehensive income/(loss)		**—**	**—**	**—**	**3,017**	**237,132**	**240,149**	**(655)**	**239,494**
Transaction with owners in their capacity as owners									
Cash contributions from the then shareholders	*22*	—	—	—	687	—	687	—	687
Deemed distribution to shareholders pursuant to the disposal of assets	*22*	—	—	—	(89,360)	—	(89,360)	—	(89,360)
Deemed distribution to shareholders pursuant to the Reorganization	*21*	—	—	—	(67,731)	—	(67,731)	—	(67,731)
Issuance of ordinary shares in relation to the Reorganization	*21*	1,460	137,208	(6)	(137,982)	—	680	—	680
Acquisition of non-controlling shareholder's equity		—	—	—	(980)	—	(980)	980	—
Share-based payment	*23*	—	—	—	1,598	—	1,598	—	1,598
Transaction with owners in their capacity as owners		**1,460**	**137,208**	**(6)**	**(293,768)**	**—**	**(155,106)**	**980**	**(154,126)**
As at December 31, 2023		**1,460**	**137,208**	**(6)**	**(244,115)**	**328,117**	**222,664**	**(43)**	**222,621**

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*30*	124,352	134,761	274,256
Income taxes paid		(2,382)	(6,112)	(30,305)
Net cash generated from operating activities		121,970	128,649	243,951
Cash flows from investing activities				
Payments for property, plant and equipment		(13,714)	(117,396)	(5,863)
Payments for land use rights		(57,046)	—	—
Proceeds from long-term bank time deposits		16,254	45,976	55,501
Proceeds from short-term bank time deposits		—	—	77,392
Payments for long-term bank time deposits		(29,000)	(22,608)	(54,500)
Payments for short-term bank time deposits		—	(77,392)	(88,952)
Interest received from time deposits		4,863	5,453	7,447
Proceeds from disposal of financial assets at fair value through profit or loss	*3.3*	544,420	645,912	260,264
Payments for financial assets at fair value through profit or loss	*3.3*	(562,940)	(655,000)	(210,101)
Repayment of long-term payables	*28, 34*	(1,940)	(10,520)	—
Proceeds from related parties	*34*	982	1,000	1,000
Loans to related parties	*34*	(319)	(1,909)	—
Repayment of loans to related parties	*34*	—	319	5,909
Proceeds from sales of property, plant and equipment and right-of-use assets	*30*	3,001	2,192	—
Net cash (used in)/generated from investing activities		(95,439)	(183,973)	48,097

		Year ended December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Cash contributions from the shareholders	*22*	19,125	5,875	687
Issuance of ordinary shares	*21*	—	—	680
Proceeds from borrowings		47,623	50,687	5,000
Repayment of borrowings		(16,500)	(34,429)	(19,231)
Interest paid on borrowings		(1,198)	(1,557)	(164)
Payments for **[REDACTED]** expenses		—	—	**[REDACTED]**
Principal payments and interest paid of lease liabilities		(1,628)	(1,449)	(3,698)
Net proceeds received by the Group pursuant to deemed distribution to shareholders	*22(e)*	—	—	38,214
Repayment of loans from a related party	*34*	(12,494)	(18,521)	—
Deemed distribution to shareholders pursuant to the Reorganization	*21*	—	—	(67,731)
Dividend paid to the then shareholders	*13*	—	—	(50,000)
Net cash generated from/(used in) financing activities		34,928	606	(98,230)
Net increase/(decrease) in cash and cash equivalents		61,459	(54,718)	193,818
Cash and cash equivalents at beginning of the year	*20*	36,268	97,738	42,480
Effects of exchange rate changes on cash and cash equivalents		11	(540)	(234)
Cash and cash equivalents at end of the year	**20**	**97,738**	**42,480**	**236,064**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Carote Ltd ("**Carote**", or the "**Company**") was incorporated in the Cayman Islands on February 3, 2023 as an exempted company with limited liability. The address of the Company's registered office of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

Zhejiang Carote Industry & Trade Co., Ltd. 浙江卡羅特工貿有限公司 ("**Zhejiang Carote**") was incorporated in the People's Republic of China (the "**PRC**") in April 2007. Upon the completion of the reorganization (the "**Reorganization**") in August 2023 as described in Note 1.2(a), Zhejiang Carote became an indirect wholly owned subsidiary of the Company. The Company and its subsidiaries are collectively referred to as the "Group".

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in sale of cookware such as non-stick pots and pans, cast iron pots, and curated cookware sets, kitchen utensils, drinkware and other products. The Group's products are sourced in the People's Republic of China (the "**PRC**") and sold to customers in locations including the mainland China, the United States (the "**U.S.**"), Malaysia, Singapore, Japan and other countries via third-party e-commerce platforms (the "**[REDACTED] Business**").

The ultimate holding company of the Company is Yili Investment Holdings Ltd ("**Yili Investment**"), a company incorporated in the British Virgin Islands and controlled by Mr. Zhang Guodong 章國棟 ("**Mr. Zhang**") and Ms. Lyu Yili 呂伊俐 ("**Ms. Lyu**") (the "**Controlling Shareholders**").

These consolidated financial statements are presented in thousands of RMB ("**RMB'000**"), unless otherwise stated.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the **[REDACTED]** Business was mainly carried out by Zhejiang Carote and its subsidiaries (collectively, the "**Operating Companies**"). Immediately prior to the Reorganization, Zhejiang Carote was owned by the Controlling Shareholders and Denk Trade Investment Ltd ("**Denk Trade**") as to 99% and 1% respectively.

In preparing for the **[REDACTED]** of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganization, pursuant to which the Operating Companies and **[REDACTED]** Business were transferred to the Company. The Reorganization mainly involved the following steps:

(a) In February 2023, the Company was established under the laws of the Cayman Islands as an exempted company with limited liability with authorized share capital of 5,000,000 shares of par value of United States Dollars ("**USD**") 0.01 each, of which 4,500,000 ordinary shares of the Company were issued to Yili Investment and 500,000 were issued to Carote CM Limited Partnership, which is wholly owned by the Controlling Shareholders. In March 2023, Carote CM LP transferred 419,900 shares to Yili Investment. Subsequently on the same date, the Company issued another 15,080,100 ordinary shares to Yili Investment.

(b) In March 2023, Carote Group Limited ("**Carote HK**") was incorporated as a limited liability company in Hong Kong and a direct wholly owned subsidiary of the Company.

(c) In August 2023, Carote HK purchased 100% equity interests in Zhejiang Carote from the Controlling Shareholders, the companies controlled by Controlling Shareholders and Denk Trade with a consideration of RMB67,731,000 which was paid by Carote HK to the shareholders in cash in October 2023. Consequently, Zhejiang Carote became an indirect wholly owned subsidiary of the Company.

In September 2023, the Company issued 202,830 ordinary shares to Denk Trade with a consideration of RMB680,000.

Upon completion of the Reorganization in October 2023, the Company became the holding company of the companies now comprising the Group.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

				Effective interest held by the Group				
				As at December 31,				
Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	2021	2022	2023	As at the report date	Note
Directly held:								
Carote Group Limited ("**Carote HK**")	Hong Kong/ March 7, 2023	Investment holding, in Hongkong	USD100,000	NA	NA	100%	100%	(i)

Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	Effective interest held by the Group As at December 31, 2021	2022	2023	As at the report date	Note
Indirectly held:								
Zhejiang Carote Industry & Trade Co., Ltd. 浙江卡羅特工貿有限公司 ("**Zhejiang Carote**")	The PRC/ April 28, 2007	Procurement and sales of kitchenware, In the PRC	RMB20,282,929	100%	100%	100%	100%	(i)
Yongkang City Carote Import and Export Co., Ltd. 永康市卡羅特進出口有限公司	The PRC/ September 1, 2014	Procurement and sales of kitchenware, In the PRC	RMB2,000,000	80%	80%	100%	100%	(i)
Hangzhou Carote Trading Co., Ltd 杭州卡羅特商貿有限公司	The PRC/ January 30, 2019	Procurement and sales of kitchenware, In the PRC	RMB5,000,000	100%	100%	100%	100%	(i)
Hangzhou Carote Home Furnishings Co., Ltd 杭州卡羅特家居用品有限公司	The PRC/ December 18, 2019	Procurement and sales of kitchenware, In the PRC	RMB10,000,000	100%	100%	100%	100%	(i)
Zhejiang Taige Electric Co., Ltd. 浙江泰戈電器有限公司 ("**Zhejiang Taige Electric**") (formerly known as Zhejiang Carote Cookware Co., Ltd.)	The PRC/ May 12, 2020	Procurement and sales of kitchenware, In the PRC	RMB10,000,000	80%	80%	40%	40%	(i)/(iii)
Zhejiang Gangle Kitchenware Co., Ltd 浙江港樂廚具有限公司 ("**Zhejiang Gangle**")	The PRC/ May 11, 2021	Procurement and sales of kitchenware, In the PRC	RMB3,000,000	100%	100%	NA	NA	(i)/(iv)
Carote (Shenzhen) Trading Co., Ltd. 卡羅特(深圳)商貿有限公司	The PRC/ November 23, 2022	Procurement and sales of kitchenware, In the PRC	RMB5,000,000	NA	100%	100%	100%	(i)
Carote Global Limited ("**Carote Global**")	Hong Kong/ November 30, 2020	Procurement and sales of kitchenware/ In Hongkong	USD100,000	100%	100%	100%	100%	(ii)

Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	Effective interest held by the Group: As at December 31, 2021	2022	2023	As at the report date	Note
Carote (Singapore) Management Pte. Ltd	Singapore/ March 12, 2021	Procurement and sales of kitchenware/ In Singapore	USD100,000	100%	100%	100%	100%	(i)
Carote Kitchenware Co., Ltd カローテ株式會社	Japan/ June 25, 2020	Procurement and sales of kitchenware/ In Japan	JPY3,000,000	100%	100%	100%	100%	(i)
Carote International Limited (UK)	UK/ July 22, 1996	Procurement and sales of kitchenware/ In the UK	—	100%	100%	100%	100%	(i)
Carote International Limited 卡羅特國際有限公司	Hong Kong/ March 25, 2015	Procurement and sales of kitchenware/ In Hongkong	HKD10,000	100%	100%	100%	100%	(i)
Carote (Philippines) Kitchenware Ltd Corp.	Philippines/ August 16, 2021	Procurement and sales of kitchenware/ In Philippines	PHP10,000,000	98%	98%	98%	98%	(i)
Carote Kitchenware (Singapore) Pte. Ltd.	Singapore/ September 22, 2018	Procurement and sales of kitchenware/ In Singapore	SGD490,000	100%	100%	100%	100%	(i)
Carote USA LLC ("**Carote USA**")	USA/ December 2, 2019	Procurement and sales of kitchenware/ In the USA	—	100%	100%	100%	100%	(i)
Carote Korea Co., Ltd.	South Korea/ December 6, 2019	Procurement and sales of kitchenware/ In South Korea	KRW 1,000,000	100%	100%	100%	100%	(i)
Carote Kitchenware India Private Limited	India/ August 21, 2019	Procurement and sales of kitchenware/ In India	RE 1,000,000	80%	80%	100%	100%	(i)

				Effective interest held by the Group				
	Place and date of incorporation/			As at December 31,			As at the	
Name of entity	establishment	Principal activities and place of operation	Registered capital	2021	2022	2023	report date	Note
PT Carote Kitchenware Indonesia	Indonesia/ November 14, 2019	Procurement and sales of kitchenware/ In Indonesia	RP 6,000,000,000	100%	100%	100%	100%	(i)
Carote (Malaysia) Sdn. Bhd.. . . .	Malaysia/ November 11, 2019	Procurement and sales of kitchenware/ In Malaysia	MYR1,000	100%	100%	100%	100%	(i)
Carote Kitchenware (Australia) PTY Ltd ("**Carote Australia**").	Australia/ May 22, 2018	Procurement and sales of kitchenware/ In Australia	AUD 100	80%	80%	100%	100%	(i)
Carote Deutschland AG	Germany/ October 24, 2023	Procurement and sales of kitchenware/ In Germany	EUR 50,000	NA	NA	100%	100%	(i)

(i) No audit of statutory financial statements was performed for these subsidiaries as they are newly incorporated or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.

(ii) The statutory financial statements of Carote Global for the year ended December 31, 2021 and ended December 31, 2022 were audited by Shine Wise & Co. CPA. The financial statements of the subsidiary for the year ended December 31, 2023 have not yet been issued as at the date of this report.

(iii) In September 2023, 40% shares of Zhejiang Taige Electric were transferred to a third party. After completion of the transaction, Zhejiang Taige Electric was no longer the subsidiary of the Company and became an associate of the Company. Further details are included in Note 33.

(iv) Zhejiang Gangle was no longer the subsidiary of the Company since February 2023, further details are included in Note 22.

(d) Investments in subsidiaries — the Company

	As at December 31, 2023
	RMB'000
Investment in subsidiaries — Capital contribution from shareholder for obtaining 100% equity interest of Operating Companies *(Note 21)*	137,982
Investment in subsidiaries — Deemed investments arising from share-based payment	1,598
	139,580

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the **[REDACTED]** Business was and continues to be conducted through Zhejiang Carote and its subsidiaries. Pursuant to the Reorganization, Zhejiang Carote was transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the **[REDACTED]** Business with no change in management of such business and the ultimate controlling shareholders remains the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the **[REDACTED]** Business for all periods presented.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS Accounting Standards

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

(ii) Historical cost convention

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets and liabilities that are measure at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(iii) New and amended standards and interpretations adopted by the Group

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

(iv) New and amended standards and interpretations not yet adopted

The following amended standards have been issued but not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies "Classification of Liabilities as Current or Non-current Amendments to HKAS 1"
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards, improvements, interpretations and accounting guidelines. According to the preliminary assessment made by management, no significant impact on the financial performance and financial positions of the Group is expected when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group entities collect most of the revenue and incur most of the expenditures in respect of their functional currencies. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than the Group's entities' functional currency. The currencies giving rise to this risk are primarily US$, as most sales and certain purchase of the Group are denominated in US$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2021, 2022 and 2023, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the profit before income tax for the year would have been RMB2,545,000, RMB2,490,000, RMB6,408,000 lower/higher respectively, mainly as a result of net foreign exchange losses/gains on translation of US$ denominated cash and cash equivalents, trade receivables and borrowings.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings with floating interest rates. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Notes 20 and 27 to the Historical Financial Information respectively.

Other than cash and cash equivalents and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

As at December 31, 2021, 2022 and 2023, if interest rates on cash and cash equivalents and bank borrowings had been 50 basis points higher/lower with all variables held constant, the profit before income tax for the year would have been approximately RMB nil, approximately RMB1,000 lower/higher, and approximately RMB nil, respectively, mainly as a result of higher/lower of interest income on cash and cash equivalents netted with higher/lower interest expenses on the bank borrowings.

(iii) Price risk

The Group has no exposure to equity securities price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, short-term bank time deposits, long-term bank time deposits, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk Management

To manage risk arising from cash and cash equivalents, restricted cash, short-term bank time deposits and long-term bank time deposits, the Group only transacts with state-owned or reputable financial institutions which are all high-credit quality financial institutions all over the world. There has been no recent history of default in relation to these financial institutions.

To manage the risk arising from trade receivables and other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. Trade receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash, short-term bank time deposits, long-term bank time deposits;
- trade receivables; and
- other receivables.

Cash and cash equivalents, restricted cash and long-term bank time deposits are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash, long-term bank time deposits and short-term bank time deposits are also subject to the impairment requirements of HKFRS 9, while the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of at least 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and Consumer Price Index (CPI) to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2021, 2022 and 2023 was determined as follows for trade receivables:

December 31, 2021	**Within 3 months**	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**More than 1 year**	**Total**
Expected loss rate	0.03%	—	—	100.00%	—	N/A
Gross carrying amount — trade receivables *(RMB'000)*	63,644	—	—	79	—	63,723
Loss allowance *(RMB'000)*	(16)	—	—	(79)	—	(95)

December 31, 2022	**Within 3 months**	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**More than 1 year**	**Total**
Expected loss rate	0.03%	—	—	100.00%	100.00%	N/A
Gross carrying amount — trade receivables *(RMB'000)*	55,324	—	—	3	167	55,494
Loss allowance *(RMB'000)*	(17)	—	—	(3)	(167)	(187)

December 31, 2023	**Within 3 months**	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**More than 1 year**	**Total**
Expected loss rate	0.01%	—	—	—	100.00%	N/A
Gross carrying amount — trade receivables *(RMB'000)*	73,863	—	—	—	91	73,954
Loss allowance *(RMB'000)*	(9)	—	—	—	(91)	(100)

The loss allowances for trade receivables as at December 31, 2021, 2022 and 2023 and reconcile to the opening loss allowances as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance at January 1,	14	95	187
Credit losses allowance recognized/(reversed), net	81	92	(87)
Closing loss allowance at December 31,	95	187	100

Other receivables

The loss allowance for other receivables as at December 31, 2021, 2022 and 2023 reconciles to the opening loss allowance as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance at January 1,	110	150	201
Credit losses allowance recognized/(reversed), net	40	51	(187)
Closing loss allowance at December 31,	150	201	14

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021					
Borrowings *(Note 27)*	39,779	—	—	39,779	39,207
Trade and bills payables *(Note 25)*	281,968	—	—	281,968	281,968
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 26)*	23,138	—	—	23,138	23,138
Lease liabilities *(Note 15)*	1,365	1,469	819	3,653	3,415
Long-term payables	1,940	8,580	—	10,520	10,091
	348,190	**10,049**	**819**	**359,058**	**357,819**

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2022					
Borrowings *(Note 27)*	21,089	16,295	24,382	61,766	56,529
Trade and bills payables *(Note 25)*	276,232	—	—	276,232	276,232
Other payables and accruals (excluding payroll and welfare payables, other tax payables) *(Note 26)*	55,563	—	—	55,563	55,563
Lease liabilities *(Note 15)*	1,469	819	—	2,288	2,189
	354,353	**17,114**	**24,382**	**395,849**	**390,513**

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2023					
Borrowings *(Note 27)*	5,111	—	—	5,111	5,004
Trade and bills payables *(Note 25)*	358,634	—	—	358,634	358,634
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 26)*	3,939	—	—	3,939	3,939
Lease liabilities *(Note 15)*	2,919	2,100	—	5,019	4,767
	370,603	**2,100**	**—**	**372,703**	**372,344**

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting periods. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities using fair value estimation as at December 31, 2021, 2022 and 2023:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021				
Financial assets at fair value through profit or loss	—	—	40,000	40,000
At December 31, 2022				
Financial assets at fair value through profit or loss	—	—	50,062	50,062
At December 31, 2023				
Financial assets at fair value through profit or loss	—	—	—	—

(b) Valuation process and technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade receivables, deposits and other receivables, restricted cash and cash and cash equivalents approximated to their carrying amounts.

The fair value of trade payables, other payables and accruals (excluding taxes payables, payroll and welfare payables), borrowings, long-term payables and lease liabilities approximated to their carrying amounts.

(c) Fair value measurements using significant unobservable inputs (level 3)

	Financial assets at fair value through profit or loss
	RMB'000
As at January 1, 2021	20,714
Additions	562,940
Settlement	(544,420)
Fair value gains on financial asset at fair value through profit or loss *(Note 7)*	766
As at December 31, 2021	40,000
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2021	—
As at January 1, 2022	40,000
Additions	655,000
Settlement	(645,912)
Fair value gains on financial asset at fair value through profit or loss *(Note 7)*	974
As at December 31, 2022	50,062
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2022	—
As at January 1, 2023	50,062
Additions	210,101
Settlement	(260,264)
Fair value gains on financial asset at fair value through profit or loss *(Note 7)*	101
As at December 31, 2023	—

The changes of financial assets at FVPL for the years ended December 31, 2021, 2022 and 2023 have been presented in Note 19.

(d) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at December 31, 2021

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	40,000	Expected rate of return	0.25%-0.30%	The higher the expected rate of return, the higher the fair value

As at December 31, 2022

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	50,062	Expected rate of return	0.25%-0.30%	The higher the expected rate of return, the higher the fair value

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Fair value of financial assets at FVPL

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

(b) Impairment of trade and other receivables

The Group makes allowances on trade and other receivables based on assumptions about risk of default and expected credit loss rates. The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used in the impairment assessment, see Note 3.1.

(c) Recognition of share-based payment expenses

As disclosed in Note 23, the Group granted shares to the Group's employees, which are viewed as share-based payment transaction in substance. These transactions resulted in the recognition of share-based payment expenses. The directors of the Company have used the discounted cash flow method to determine the fair value of the equity instruments granted. Significant estimate on assumptions, such as revenue growth rate, after-tax discount rate and terminal growth rate, are made based on management's best estimates.

As the awards granted in equity-settled share-based payment plan are conditional on an **[REDACTED]**. The Group has estimated the **[REDACTED]** probability and **[REDACTED]** when they calculated share-based payment expenses at each reporting period end. Since **[REDACTED]** condition is considered as vesting condition, the entity also needs to consider when the **[REDACTED]** is probable. If the service period under the service condition ends before **[REDACTED]**, then the vesting period will end on **[REDACTED]** date; if the service period under the service condition ends after **[REDACTED]**, then the vesting period will end according to the service conditions. As at December 31, 2023, the Group assessed it is probable that the performance condition (i.e., **[REDACTED]**) will be achieved in the future.

(d) Income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

For management purposes, the Group is not organized into business units based on their products and only has one reportable segment. The executive directors of the Company identified as the chief operating decision maker monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information of customers

The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
America	163,570	224,671	833,906
Mainland China	171,600	277,019	327,510
Asia except for Mainland China	74,440	126,921	217,539
Western Europe	234,433	112,296	168,420
Other	31,302	27,575	35,707
	675,345	**768,482**	**1,583,082**

(b) All revenue from contract with customers within the scope of HKFRS 15 is recognized at a point in time as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
— Online sales, business through Third-party e-commerce platforms to individuals	251,337	503,181	1,362,531
— Original design manufacturer business	392,054	237,769	203,209
— Others	31,954	27,532	17,342
	675,345	**768,482**	**1,583,082**

(c) Revenue from a major customer which individually contributed over 10% or more of the total revenue of the Group during the years ended December 31, 2021, 2022 and 2023 is set out below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	164,998	*	*
Customer B	129,087	106,764	*

* The customer contributed less than 10% of total revenue for the corresponding year.

(d) Revenue recognition

Revenue from contracts with customers is recognized when control of products is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products.

The following is a description of the accounting policy for the principal revenue stream of the Group.

Sales of products

The Group sells its products to customers over third-party e-commerce platforms or directly. Revenue from contracts with customers is recognized when control of the products is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products and delivery to the customers.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of goods provide customers with rights of return, it gives rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

6 OTHER INCOME

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	359	1,539	3,115
Others	160	206	79
	519	**1,745**	**3,194**

Government grants provided to the Group is mainly related to financial subsidies received from the local governments in the PRC. There were no unfulfilled conditions or contingencies attached to these grants.

7 OTHER GAINS/(LOSSES) — NET

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net fair value gains on financial assets at fair value through profit or loss	766	974	101
Net loss on disposal of property, plant and equipment	(135)	(2,002)	—
Net gain on disposal of a non-wholly owned subsidiary	—	—	1
Net foreign exchange gains/(losses)	117	(1,376)	15,213
Others	165	(39)	185
	913	**(2,443)**	**15,500**

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follow:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	376,191	379,569	741,915
Raw materials and consumables used	102,036	32,337	32,593
Freight and storage expenses	68,736	93,726	268,494
Commission to e-commerce platforms	29,554	47,540	167,160
Marketing and advertising expenses	23,144	53,119	67,559
Employee benefit expenses *(Note 9)*	25,184	21,502	27,323
[REDACTED] expenses	—	—	**[REDACTED]**
Legal and professional fees	1,862	1,122	4,393
Depreciation of property, plant and equipment *(Note 14)*	4,211	1,766	2,859
Depreciation of right-of-use assets *(Note 15)*	1,487	2,621	1,684
Office expenses	2,440	1,018	1,281
Short-term leases expense *(Note 15)*	335	84	129
Auditors' remuneration			
Audit services	19	40	40
Others	8,758	9,055	9,383
	643,957	**643,499**	**1,330,862**

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	18,262	15,676	18,555
Pension obligations, housing funds, medical insurances and other social insurances	6,278	5,350	6,511
Share-based payment expenses *(Note 23)*	—	—	1,598
Other employee benefits	644	476	659
	25,184	**21,502**	**27,323**

(i) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year.

No forfeited contributions were utilized during the Track Record Period to offset the Group's contribution to the abovementioned retirement benefit schemes.

(ii) Other employee benefits

Other employee benefits mainly include meal, traveling and other allowances.

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2021, 2022 and 2023 include no directors. The aggregate amounts of emoluments for the remaining 5, 5 and 5 highest paid individuals for each of the years ended December 31, 2021, 2022 and 2023, respectively are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	2,342	2,998	2,978
Pension obligations, housing funds, medical insurances and other social insurances	64	74	72
Share-based payment expenses	—	—	1,598
	2,406	**3,072**	**4,648**

The emoluments of those individuals fell within the following bands:

	Year ended December 31,		
	2021	2022	2023
Emolument bands (in HKD)			
Nil — 1,000,000	5	4	2
1,000,001 — 1,500,000	—	1	3
	5	**5**	**5**

10 FINANCE INCOME, NET

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income on bank deposits	4,862	5,453	7,447
Finance costs:			
Interest expenses on borrowings	(1,254)	(1,877)	(168)
Unwinding of discounts on long-term payables	(455)	(130)	—
Interest expenses on lease liabilities *(Note 15)*	(31)	(139)	(129)
Losses from payment of long-term payables	—	(299)	—
Net exchange (gains)/losses on foreign currency borrowings	222	(744)	(25)
	(1,518)	(3,189)	(322)
Less: borrowing costs capitalized in property, plant and equipment	—	44	—
Finance income, net	**3,344**	**2,308**	**7,125**

11 INCOME TAX EXPENSES

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current tax on profits for the year	5,207	19,771	45,475
Deferred income tax *(Note 29)*	(819)	(1,809)	(3,636)
	4,388	**17,962**	**41,839**

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to the Cayman Islands income tax pursuant to the current laws of the Cayman Islands.

(b) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 for the years ended December 31, 2021, 2022 and 2023.

(c) United States income tax

Carote USA was established in California, the United States. The corporate income tax rate of Carote USA is subject to both federal income tax rate and California income tax rate, which are 21% and 8.84% respectively for the years ended December 31, 2021, 2022 and 2023.

(d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% during the Track Record Period.

(e) Singapore corporate income tax ("Singapore CIT")

The Group's subsidiary in Singapore is subject to Singapore CIT which is calculated based on the applicable tax rate of 17% on the assessable profits of the subsidiaries in accordance with Singapore tax laws and regulations for the Track Record Period.

(f) PRC corporate income tax ("CIT")

The Company's subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for disclosed below.

Zhejiang Carote, a subsidiary of the Company, was recognized as the High New Tech Enterprises in December 2019. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") for High New Tech Enterprises, Zhejiang Carote is subject to a reduced corporate income tax rate of 15% for three years commencing from the first year when it was recognized as the High New Tech Enterprises. Zhejiang Carote obtained the approval for renewal of the qualification for another three-year period commencing 2022. Accordingly, Zhejiang Carote was entitled to a preferential income tax rate of 15% during the Track Record Period.

During the years ended December 31, 2021, 2022 and 2023, an additional 100% of qualified research and development expenses incurred was allowed to be deducted from taxable income under the Mainland China Income Tax Law and its relevant regulations.

(g) PRC withholding income tax

According to the CIT Law, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after January 1, 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

During the year ended December 31, 2023, no dividend withholding tax for PRC companies was provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at December 31, 2023 in the foreseeable future. The deferred income tax liabilities related to unremitted earnings totaled RMB161,086,000 have not been recognized as at December 31, 2023.

(h) The difference between the actual income tax expense charged to the consolidated statements of profit or loss and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	36,043	126,450	278,313
Tax calculated at statutory tax rates applicable to each group entity	7,874	30,638	66,300
Preferential tax rate	(3,182)	(12,012)	(23,839)
Expenses not deductible for tax purpose	243	365	172
Super deduction for research and development expenses	(1,277)	(1,777)	(2,691)
Tax losses for which no deferred income tax asset was recognized	730	826	1,996
Previously unrecognized tax losses now recouped to reduce current tax expense	—	(78)	(99)
Income tax expense	**4,388**	**17,962**	**41,839**

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021, 2022 and 2023 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

In the calculation of weighted average number of ordinary shares outstanding during the Track Record Period, the 20,282,930 shares (excluding the 80,000 shares held for shares award scheme) issued to owners of the Company during the Reorganization (Note 1.2(a)) had been adjusted retrospectively as if those shares had been issued since January 1, 2021.

On February 29, 2024, pursuant to the resolution passed by the shareholders of the Company, each share of a nominal or par value of US$0.01 share capital of the Company was subdivided into 20 shares of a nominal or par value of US$0.0005 each. The Company's authorized share capital became US$250,000 divided into 500,000,000 shares of a nominal or par value of US$0.0005 each. (the "**Subdivision**"). Immediately following the Subdivision, the number of ordinary shares in issue was 404,058,600 (excluding 1,600,000 shares held for shares award scheme after consideration of the Subdivision). In determining the weighted average number of ordinary shares in issue, the Subdivision has been adjusted retrospectively as if the Subdivision was effective since the beginning of the year ended December 31, 2021.

	Year ended December 31,		
	2021	**2022**	**2023**
Profit attributable to the ordinary equity holders of the Company *(RMB'000)*	31,718	108,770	237,132
Weighted average number of ordinary shares in issue	404,058,600	404,058,600	404,058,600
Basic earnings per share (expressed in RMB per share)	0.08	0.27	0.59

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the Track Record Period, the Company's dilutive potential ordinary shares only include share awards granted to employees. During the year ended December 31, 2023, as the share awards are issuable upon the satisfaction of specified performance condition, as of December 31, 2023, the condition has not been met, thus the potential issuable shares were not included in the calculation of diluted earnings per share during the year reported. Accordingly, diluted earnings per share is equal to basic earnings per share throughout the Track Record Period.

Diluted earnings per share is equal to basic earnings per share as there was no potential diluted shares outstanding for the years ended December 31, 2021 and 2022.

13 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting of Zhejiang Carote held on December 3, 2022, dividends of RMB50,000,000 were approved to be paid to its then shareholders of the Zhejiang Carote. The dividend was paid in cash in April 2023.

Pursuant to the resolution of the shareholders' meeting of the Company held on March 4, 2024, dividends of RMB100,000,000 were approved to be paid to the shareholders of the Company.

14 PROPERTY, PLANT AND EQUIPMENT

The detailed information of property, plant and equipment during Track Record Period is as follows:

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021						
Cost	6,130	32,864	3,860	465	—	43,319
Accumulated depreciation	(1,287)	(25,992)	(2,640)	(300)	—	(30,219)
Net book amount	4,843	6,872	1,220	165	—	13,100
Year ended December 31, 2021						
Opening net book amount	4,843	6,872	1,220	165	—	13,100
Additions	—	1,373	5,258	—	4,953	11,584
Disposals	—	(761)	(2,366)	(9)	—	(3,136)
Depreciation charge	(303)	(3,142)	(758)	(8)	—	(4,211)
Closing net book amount	4,540	4,342	3,354	148	4,953	17,337
As at December 31, 2021						
Cost	6,130	8,289	4,003	293	4,953	23,668
Accumulated depreciation	(1,590)	(3,947)	(649)	(145)	—	(6,331)
Net book amount	4,540	4,342	3,354	148	4,953	17,337
Year ended December 31, 2022						
Opening net book amount	4,540	4,342	3,354	148	4,953	17,337
Additions	—	49	3,422	13	100,444	103,928
Disposals	—	(4,134)	(60)	—	—	(4,194)
Depreciation charge	(303)	(240)	(1,200)	(23)	—	(1,766)
Closing net book amount	4,237	17	5,516	138	105,397	115,305
As at December 31, 2022						
Cost	6,130	143	7,288	306	105,397	119,264
Accumulated depreciation	(1,893)	(126)	(1,772)	(168)	—	(3,959)
Net book amount	4,237	17	5,516	138	105,397	115,305

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023						
Opening net book amount	4,237	17	5,516	138	105,397	115,305
Additions	—	109	3,733	64	—	3,906
Disposals *(Note 22(e))*	—	—	—	—	(105,397)	(105,397)
Depreciation charge	(302)	(15)	(2,505)	(37)	—	(2,859)
Closing net book amount	3,935	111	6,744	165	—	10,955
As at December 31, 2023						
Cost	6,130	252	11,021	370	—	17,773
Accumulated depreciation	(2,195)	(141)	(4,277)	(205)	—	(6,818)
Net book amount	3,935	111	6,744	165	—	10,955

As at December 31, 2021, 2022 and 2023, the Group pledged buildings with carrying amount of approximately RMB4,540,000, RMB4,237,000 and RMB3,935,000 for the bank borrowings of Group, respectively (Note 27).

(i) Depreciation expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	824	1,640	2,844
Cost of sales	1,678	116	—
Research and development expenses	1,709	10	15
	4,211	**1,766**	**2,859**

(ii) Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

— Buildings	20 years
— Machinery and molds	3-10 years
— Vehicles	3-5 years
— Electronic equipment and others	3-5 years

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

15 LEASES

(i) Amounts recognized in the consolidated statements of financial position

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land use rights	57,159	56,005	—
Warehouse	—	—	5,684
Office	3,825	2,442	1,221
	60,984	**58,447**	**6,905**
Lease liabilities			
Current	1,226	1,386	2,739
Non-current	2,189	803	2,028
	3,415	**2,189**	**4,767**

As at December 31, 2022, the land-use rights with carrying value of approximately RMB36,526,000 (2021: nil) were secured for the bank borrowings of the Group (Note 27).

Decreases in land use rights during the year ended December 31, 2023 of approximately RMB56,005,000 was due to the disposal of land use right as a result of the deemed distributions to shareholders (Note 22(e)).

Additions to right-of-use assets during the years ended December 31, 2021, 2022 and 2023 were approximately RMB3,997,000, RMB84,000 and RMB6,147,000 respectively.

(ii) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets			
Office	977	1,467	1,321
Warehouse	—	—	363
Land-use right	510	1,154	—
	1,487	2,621	1,684
Interest expenses on lease liabilities *(Note 10)*	31	139	129
Expense relating to short-term leases (included in cost of sales and administrative expenses) *(Note 8)*	335	84	129
	1,853	2,844	1,942

The total cash outflow for leases for the years ended December 31, 2021, 2022 and 2023 were approximately RMB1,628,000, RMB1,449,000 and RMB3,698,000, respectively.

(iii) The Group's leasing activities and how these are accounted for

The right-of-use assets represent the Group's rights to use underlying leased premises under lease arrangements over the lease terms from 2 to 3 years and land use rights over the lease terms of 50 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases are initially recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

(iv) Extension and termination options

Extension and termination options are included in a number of leases of office and warehouse across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16 INVENTORIES

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	24,976	42,059	107,335
Raw materials and parts	2,554	112	947
Work in progress	2,963	—	—
Less: provision for inventories	—	—	—
	30,493	**42,171**	**108,282**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using specific identification method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Inventories recognized as an expense during the years ended December 31, 2021, 2022 and 2023 amounted to RMB478,227,000, RMB411,906,000 and RMB774,508,000 respectively. These were included in cost of sales.

17 TRADE RECEIVABLES

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	63,723	55,494	73,954
Less: allowance for impairment	(95)	(187)	(100)
Total	**63,628**	**55,307**	**73,854**

The carrying amounts of trade receivables approximate their fair value.

(i) Aging analysis of trade receivables

As at December 31, 2021, 2022 and 2023, the aging analysis of trade receivables based on invoice date, is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	63,644	55,324	73,863
3 months to 6 months	—	—	—
6 months to 9 months	—	—	—
9 months to 12 months	79	3	—
More than 1 year	—	167	91
	63,723	**55,494**	**73,954**

(ii) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months or a normal operating cycle and therefore all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

18 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

The Group

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables (a)			
— Export tax refundable	6,363	1,842	11,939
— Refundable deposits	2,011	8,306	9,529
— Due from related parties *(Note 34)*	6,319	6,909	357
— Others	65	806	236
	14,758	17,863	22,061
Less: provision for impairment *(Note 3.1)*	(150)	(201)	(14)
	14,608	17,662	22,047
Prepaid **[REDACTED]** expenses	—	—	**[REDACTED]**
Input VAT to be deducted	71	8,874	—
Total other current assets	**14,679**	**26,536**	**24,034**

As at December 31, 2021, 2022 and 2023, the fair values of other current assets of the Group, except for the prepaid **[REDACTED]** and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The Company

	As at December 31,
	2023
	RMB'000
Prepaid **[REDACTED]** expenses	**[REDACTED]**

(a) Other receivables

(i) Impairment and risk exposure

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss ("**ECL**") model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis; and

- Under Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the year is impacted by a variety of factors, as described below:

- Transfer between stage 1, stage 2 or stage 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "**step down**") between 12-month and lifetime ECL;

- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and

- Other receivables derecognized and write-offs of allowance related to assets that were written off during the year.

The Group considers counter-parties as follows:

- 'Stage 1' Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- 'Stage 2' Counter-parties whose repayments are past due but with reasonable expectation of recovery; and
- 'Stage 3' Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at December 31, 2021 *(RMB'000)*	14,758	—	—	14,758
Loss allowance as at December 31, 2021 *(RMB'000)*	(150)	—	—	(150)
Expected credit loss rate	**1.02%**	**—**	**—**	**N/A**
Gross carrying amount as at December 31, 2022 *(RMB'000)*	17,863	—	—	17,863
Loss allowance as at December 31, 2022 *(RMB'000)*	(201)	—	—	(201)
Expected credit loss rate	**1.13%**	**—**	**—**	**N/A**
Gross carrying amount as at December 31, 2023 *(RMB'000)*	22,061	—	—	22,061
Loss allowance as at December 31, 2023 *(RMB'000)*	(14)	—	—	(14)
Expected credit loss rate	**0.06%**	**—**	**—**	**N/A**

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

The Group's financial assets measured at FVPL include the following:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Investments in wealth management products issued by banks	**40,000**	**50,062**	**—**

As at December 31, 2021, the investments in wealth management products issued by banks with amounts of RMB10,000,000.000 was pledged to the bank for issuance of bank acceptance notes (Note 25).

The principal and return of the wealth management products is not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks are measured at FVPL.

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value of these financial assets at FVPL are set out in Note 3.3.

(b) Amounts recognized in profit or loss

During the year, the following gains were recognized in the consolidated statements of profit or loss:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Fair value gains on financial assets at FVPL recognized in other gains *(Note 7)*.	**766**	**974**	**101**

20 CASH AND CASH EQUIVALENTS, RESTRICTED CASH, LONG-TERM BANK TIME DEPOSITS AND SHORT-TERM BANK TIME DEPOSITS

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	211,783	202,159	405,162
Less: restricted cash (a)	(9,530)	(1,140)	—
Less: restricted short-term bank time deposits (exclude those with original maturity of 3 months or less) (b)	—	(77,392)	(88,952)
Less: restricted long-term bank time deposits (b)	(104,515)	(51,147)	(80,146)
Less: unrestricted long-term bank time deposits	—	(30,000)	—
Cash and cash equivalents	**97,738**	**42,480**	**236,064**

Cash at banks are denominated in:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
— RMB	191,383	180,104	273,093
— USD	14,920	14,861	124,804
— JPY	1,372	2,456	2,955
— IDR	1,103	1,256	1,277
— INR	2,273	1,602	1,182
— PHP	34	531	1,229
— MYR	464	903	386
— SGD	174	292	53
— Others	60	154	183
	211,783	**202,159**	**405,162**

(a) The Group's restricted cash comprised:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deposits			
— Pledged for a litigation	—	1,140	—
— Pledged for bank acceptance notes issuance	9,530	—	—
	9,530	**1,140**	**—**

(b) As at December 31, 2021, the restricted long-term bank time deposits with an amount of RMB104,515,000 was pledged to banks for issuance of bank acceptance notes.

As at December 31, 2022, the restricted long-term bank time deposits and short-term bank time deposits with an amount of RMB51,147,000 and RMB77,392,000 were pledged to banks for issuance of bank acceptance notes, respectively.

As at December 31, 2023, the restricted long-term bank time deposits and short-term bank time deposits with an amount of RMB80,146,000 and RMB88,952,000 were pledged to banks for issuance of bank acceptance notes.

(c) The Company

	As at December 31, 2023
	RMB'000
Cash and cash equivalents	**75**

Cash and cash equivalents are denominated in:

	As at December 31, 2023
	RMB'000
— HKD	68
— USD	7
	75

(d) Classification of cash and cash equivalents, restricted cash and bank time deposits

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term bank time deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash restricted for issuance of bills payables or other purpose are included in the restricted cash.

Time deposits with initial terms of over one year were included in the long-term bank time deposits.

21 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM

The Group and the Company

	Number of shares	Nominal value of shares
		USD'000
Authorized		
As at February 3, 2023 (date of incorporation) (a)	5,000,000	50,000
Addition (b)	20,000,000	200,000
As at December 31, 2023	**25,000,000**	**250,000**

	Number of shares	Share Capital	Share Capital	Share premium	Shares held for shares award scheme
		USD'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued					
Issuance of ordinary shares in relation to the Reorganization of the Group (c)	20,282,930	203	1,460	137,208	(6)
As at December 31, 2023	**20,282,930**	**203**	**1,460**	**137,208**	**(6)**

(a) On February 3, 2023, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 5,000,000 shares with par value USD0.01.

(b) Pursuant to the resolution passed by the shareholders of the Company on March 15, 2023, the number of authorized shares of the Company increased by 15,080,100 shares from 5,000,000 shares to 20,080,100 shares with par value USD0.01.

Pursuant to the resolution passed by the shareholders of the Company on September 21, 2023, the number of authorized shares of the Company increased by 4,919,900 shares from 20,080,100 shares to 25,000,000 shares with par value USD0.01.

(c) As part of the Reorganization, the Company allotted and issued an aggregate of 20,080,100 shares to the Controlling Shareholders and the companies controlled by the Controlling Shareholders before August 2023, and issued 202,830 ordinary shares to Denk Trade in September 2023 with a cash consideration of RMB680,000 which was received in November 2023 (Note 1.2(c)).

Pursuant to an equity transfer agreement entered into among Carote HK, Denk Trade, the Controlling Shareholders and the companies controlled by the Controlling Shareholders dated August 18, 2023, the Controlling Shareholders and their companies and Denk Trade transferred their 100% equity interests in Zhejiang Carote to Carote HK for a consideration of RMB67,731,000, which was paid by Carote HK to the shareholders in cash in October 2023 (Note 1.2(c)). The considerations paid to the shareholders were regarded as deemed distributions to shareholders and recorded in capital reserves of the Group (Note 22).

The consolidated net asset of Zhejiang Carote as at the date of the transaction amounted to RMB205,713,000. The difference between the consolidated net asset of Zhejiang Carote and the consideration received from Denk Trade in November 2023, and the considerations paid by Carote HK to the shareholders and the par value of the abovementioned shares of the company issued, amounted to approximately RMB137,208,000, which was regarded as share premium of the Company.

22 RESERVES

The Group

	Note	Reserves				
		Capital reserve	Share-based payment reserves	Statutory surplus reserve	Foreign currency translation reserve	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021 (a)		5,000	—	2,267	(409)	6,858
Cash contributions from the then shareholders (b)		19,125	—	—	—	19,125
Appropriation to statutory reserves		—	—	2,603	—	2,603
Other currency translation differences		—	—	—	(407)	(407)
As at December 31, 2021		**24,125**	**—**	**4,870**	**(816)**	**28,179**
As at January 1, 2022		24,125	—	4,870	(816)	28,179
Cash contributions from the then shareholders (c)		5,875	—	—	—	5,875
Appropriation to statutory reserves		—	—	10,130	—	10,130
Other currency translation differences		—	—	—	2,452	2,452
As at December 31, 2022		**30,000**	**—**	**15,000**	**1,636**	**46,636**
As at January 1, 2023		30,000	—	15,000	1,636	46,636
Cash contributions from the shareholders (d)		687	—	—	—	687
Acquisition of non-controlling shareholder's equity		(980)	—	—	—	(980)
Deemed distribution to shareholders pursuant to the disposal of assets (e)		(89,360)	—	—	—	(89,360)
Deemed distribution to shareholders pursuant to the Reorganization	*21*	(67,731)	—	—	—	(67,731)
Issuance of ordinary share in relation to the Reorganization of the Group	*21*	(137,982)	—	—	—	(137,982)
Share-based payment	*23*	—	1,598	—	—	1,598
Other currency translation differences		—	—	—	3,017	3,017
As at December 31, 2023		**(265,366)**	**1,598**	**15,000**	**4,653**	**(244,115)**

(a) The capital reserves as at January 1, 2021 comprised the paid-in capital of Zhejiang Carote at the amount of RMB 5,000,000.

(b) During the year ended December 31, 2021, Ms. Lyu and Zhejiang Shengen Daily Necessities Co., Ltd. 浙江昇恩日用品有限公司 ("**Zhejiang Shengen**") paid cash of RMB4,125,000 and RMB15,000,000, respectively, as the registered capital of Zhejiang Carote.

(c) During the year ended December 31, 2022, Mr. Zhang, Yongkang Legang Technology Development Partnership 永康樂港科技發展合夥企業(有限合夥) ("**Legang Technology**") and Yongkang Kesheng Technology Development Partnership 永康可升科技發展合夥企業(有限合夥) ("**Kesheng Technology**") paid cash of RMB3,375,000, RMB1,250,000 and RMB1,250,000, respectively, as the registered capital of Zhejiang Carote.

(d) Pursuant to the **[REDACTED]** agreement entered into between Denk Trade and the Controlling Shareholders on May 4, 2023, Denk Trade subscribed for 1% equity interest in Zhejiang Carote for RMB687,000. The capital subscription of RMB687,000 was paid in August 2023.

(e) On December 12, 2022, Zhejiang Carote was split into two companies pursuant to Zhejiang Carote's shareholders resolution, the retained Zhejiang Carote and a newly established Zhejiang Leshengen Trading Co., Ltd 浙江樂昇恩商貿有限公司 ("**Zhejiang Leshengen**"), both companies were directly wholly owned by the Controlling Shareholders.

Pursuant to the agreement entered into between Zhejiang Carote and Zhejiang Leshengen dated February 3, 2023, Zhejiang Carote transferred 100% equity of its then subsidiary, Zhejiang Gangle, and certain assets and liabilities to Zhejiang Leshengen. The net assets transferred totaled approximately RMB89,360,000, which included approximately RMB105,397,000 of construction in progress, RMB56,005,000 of land use rights, RMB3,495,000 of other current assets, RMB37,323,000 of borrowings, RMB38,742,000 of amount due to the Group's entities and RMB528,000 of cash and cash equivalents. The value of net assets transferred was regarded as deemed distribution to shareholders as at the transaction date. During the year ended December 31, 2023, Zhejiang Carote has received approximately RMB38,214,000 of net cash from this transaction.

The Company

		Reserves		
	Note	**Share-based payment reserves**	**Foreign currency translation reserve**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
As at 3 February 2023 (date of incorporation)		—	—	—
Share-based payment	*23*	1,598	—	1,598
Other currency translation differences		—	(42)	(42)
As at 31 December 2023		**1,598**	**(42)**	**1,556**

23 SHARE-BASED PAYMENT

Share-based payment expenses was recognized in profit or loss for the years ended December 31, 2023 as follows:

	Year ended December 31, 2023
	RMB'000
Selling expenses	1,198
Administrative expenses	400
	1,598

(a) Share award schemes

On April 10, 2023, Zhejiang Carote adopted the Share Incentive Plans (the "PRC Plan"), pursuant to which certain eligible employees of the Group (the "Incentive Targets") were granted the shares of Yongkang City Luoqin Enterprise Management Partnership 永康市羅勤企業管理合夥企業(有限合夥) ("Luoqin Enterprise"), as rewards for their services and in exchange for their full-time devotion and professional expertise to the Group. Carote CM Limited Partnership was set up for the purpose of holding shares of the Company on behalf of the Incentive Targets. The PRC Plan was replaced by the Amended and Restated Share Incentive Plan ("Legacy Plan") in 2023 as part of the Reorganization (Note 1.2) which was completed in October 2023. The Luoqin Enterprise and Carote CM LP are controlled and managed at the discretion of the Company and therefore are consolidated accordingly in the

Group's financial statements. The terms of the Legacy Plan are substantially the same as the terms of the PRC Plan. The replacement of the PRC Plan with the Legacy Plan and the revocation of the original PRC Plan was viewed as having no accounting impacts as the terms of the PRC Plan had remained effective throughout and there is essentially no change but merely just the change to the form of the plan due to the Reorganization.

Under the PRC Plan, the Incentive Targets were granted shares with grant price of RMB3.4 per unit capital of Zhejiang Carote in April 2023. During the Reorganization, the above share grants were converted into 80,000 shares of the Company issued to Carote CM LP. All the shares granted are vested from the date of fulfilling the service and performance conditions being 12 months, 24 months or 36 months after the Company is **[REDACTED]**, as prescribed in the Legacy Plan. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and the forfeited shares would be purchased back by Mr. Zhang or other parties appointed by the Company (including the Company) at the price prescribed in the Legacy Plan.

The share awards granted to the Incentive Targets were regarded as equity-settled share-based payment, and the awards are conditional upon the successful completion of an **[REDACTED]**. The Group determined the share-based payment expenses at date of grant of shares with reference to the estimation of the probability and timing of successful **[REDACTED]** since **[REDACTED]** condition is considered as a vesting condition. As at the date of grant of the shares and up to December 31, 2023, the Group assessed that it is probable that the performance condition (i.e. **[REDACTED]**) will be achieved in the foreseeable future, and share based payment expenses were recognised accordingly. The estimated amount of share-based payment expenses is amortised over the vesting period of the shares grant.

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

	Number of restricted shares	Weighted average grant date fair value
		RMB
As at January 1, 2023	—	N/A
Granted	80,000	103.15
As at December 31, 2023	**80,000**	**103.15**

The fair value of the shares granted and the key assumptions to the valuation at the grant date are summarized as below:

	As at April 10, 2023
Fair value of the shares granted (RMB per share)	103.15
Annual growth rate	5.2%-75.5%
After-tax discount rate	14.0%
Terminal growth rate	2.2%

24 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortized cost:			
— Trade receivables *(Note 17)*	63,628	55,307	73,854
— Other receivables *(Note18)*	14,608	17,662	22,047
— Cash and cash equivalents *(Note 20)*	97,738	42,480	236,064
— Restricted cash *(Note 20)*	9,530	1,140	—
— Long-term bank time deposits *(Note 20)*	104,515	81,147	80,146
— Short-term bank time deposits *(Note 20)*	—	77,392	88,952
Financial assets at FVPL *(Note 19)*	40,000	50,062	—
	330,019	**325,190**	**501,063**
Financial liabilities			
Liabilities at amortized cost:			
— Borrowings *(Note 27)*	39,207	56,529	5,004
— Trade and bills payables *(Note 25)*	281,968	276,232	358,634
— Other payables and accruals (excluding payroll and welfare payables, other tax payables) *(Note 26)*	24,755	55,563	3,939
— Long-term payables *(Note 28)*	8,474	—	—
— Lease liabilities *(Note 15)*	3,415	2,189	4,767
	357,819	**390,513**	**372,344**

Trade and bills payables, borrowings, lease liabilities, long-term payables and other payables and accruals are carried at amortized cost.

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1 The maximum exposure to credit risk at the end of the reporting periods is the carrying amount of each class of financial assets mentioned above.

25 TRADE AND BILLS PAYABLES

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables (ii)	144,748	138,752	195,464
Bills payables (i)	137,220	137,480	163,170
	281,968	**276,232**	**358,634**

(i) The bills payables have maturity terms ranging from 6 to 12 months. And the issuance of these bills payables are secured by certain long-term bank time deposits and short-term bank time deposits (Note 20) and financial assets at FVPL of the Group (Note 19).

(ii) As at December 31, 2021, 2022 and 2023, the aging analysis of the trade and bills payables based on invoice date was as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	141,266	140,800	357,648
Between 3 months and 1 year	136,608	132,651	621
Over one year	4,094	2,781	365
	281,968	**276,232**	**358,634**

The carrying amounts are considered to approximate their fair values due to their short-term in nature.

26 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current			
Accrued freight expenses	1,890	2,589	3,470
Payroll and welfare payables	2,910	716	2,576
Dividend payable	—	50,000	—
Amounts due to related parties *(Note 34)*	20,704	2,183	—
Accrued advertising and publicity expenses	404	196	—
Current portion of long-term payables *(Note 28)*	1,617	—	—
Other taxes payables	4,159	6,256	4,691
Others	140	595	469
	31,824	**62,535**	**11,206**

The carrying amounts of financial liabilities are considered to approximate their fair values due to their short-term in nature.

The Company

	As at December 31,
	2023
	RMB'000
Current	
Amounts due to subsidiaries	2,707

The carrying amounts are considered to approximate their fair values due to their short-term in nature.

27 BORROWINGS

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Included in non-current liabilities:			
— Long-term bank borrowings, secured	—	37,323	—
Included in current liabilities:			
— Short-term bank borrowings, secured	17,786	19,206	5,004
— Short-term bank borrowings, guaranteed.	21,421	—	—
	39,207	**56,529**	**5,004**

As at December 31, 2021, 2022 and 2023, the Group's borrowings were repayable as follows:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	39,207	19,206	5,004
Between 1 and 2 years	—	15,000	—
Between 2 and 5 years	—	22,323	—
	39,207	**56,529**	**5,004**

Analysis of the carrying amounts of the Group's borrowings by currency was as follows:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
RMB	26,427	42,329	5,004
USD	12,780	14,200	—
	39,207	**56,529**	**5,004**

The weighted average effective interest rates per annum for the years ended December 31, 2021, 2022 and 2023 were as follows:

	As at December 31,		
	2021	**2022**	**2023**
RMB	4.0%	4.1%	3.1%
USD	0.5%	2.3%	NA

(i) As at December 31, 2021, the borrowings of RMB21,421,000 were guaranteed by Mr. Zhang and Ms. Lyu.

The borrowings of RMB12,780,000 were secured by the pledge of a building owned by Ms. Lyu with carrying value of RMB20,140,000.

The borrowings of RMB5,006,000 were secured by the pledge of a building of the Group with carrying value of RMB4,540,000 (Note 14).

(ii) As at December 31, 2022, the long-term borrowings of RMB37,323,000 were secured by the pledge of land-use right of the Group with carrying value of RMB36,526,000 (Note 15).

The borrowings of RMB14,200,000 were secured by the pledge of a building owned by Ms. Lyu with carrying value of RMB20,140,000.

The long-term borrowings of RMB5,006,000 were secured by the pledge of a building of the Group with carrying value of RMB4,237,000 (Note 14).

(iii) As at December 31, 2023, The borrowings of RMB5,004,000 were secured by the pledge of a building of the Group with carrying value of RMB3,935,000 (Note 14).

(iv) The decrease in the borrowings during the year ended December 31, 2023 were regarded as the transfer out of land use right and other assets of the Group of gather with the related bank borrowings as a result of deemed distributions to shareholders (Note 22(e)).

28 LONG-TERM PAYABLES

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Long-term payables	10,091	—	—
Less: current portion of long-term payables	(1,617)	—	—
	8,474	—	—

The related parties of the Company, Mr. Li Zhifei 李志飛 ("Mr. Li") and Zhejiang Xinjie Industry and Trade Co., Ltd. 浙江信傑工貿有限公司 ("Xinjie"), borrowed a loan of RMB7,390,000 from Zhejiang Tailong Commercial Bank Co.,Ltd on October 31, 2016, and another loan of RMB12,000,000 from Zhejiang Chouzhou Commercial Bank on 30 March 2018. The loans were guaranteed by Zhejiang Carote. Mr. Li and Xinjie failed to repay the loans due to its financial difficulties.

Pursuant to the repayment agreement entered into among Zhejiang Carote and the aforesaid banks in May and September 2018, Zhejiang Carote agreed to repay the loans by making payments to the banks of RMB1,940,000 annually from 2018 to 2026, and RMB1,930,000 in 2027. In 2018, the Group recognized long-term payables of approximately RMB15,958,000 representing their present value of the annual payments according to the repayment agreement.

During the years ended December 31, 2021 and 2022, the Group charged approximately RMB455,000 and RMB130,000 to finance cost in profit or loss, the Group repaid RMB1,940,000 and RMB10,520,000 to the aforesaid loans, respectively. The long-term payable was all early repaid prior to December 31, 2022, and the Group charged approximately RMB299,000 to finance cost for the losses of early payment during the year ended December 31, 2022.

As at December 31, 2021, long-term payables of RMB1,617,000 will be due within one year from the balance sheet date. (Note 26)

29 DEFERRED INCOME TAX

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
— to be recovered within 12 months	1,096	3,348	7,295
— to be recovered after more than 12 months	589	121	303
Total deferred tax assets	1,685	3,469	7,598
Net-off with deferred tax liabilities	(549)	(366)	(733)
Net deferred income tax assets	1,136	3,103	6,865
Deferred income tax liabilities:			
— to be settled within 12 months	208	183	484
— to be settled after more than 12 months	366	183	552
Total deferred tax liabilities	574	366	1,036
Net-off with deferred tax assets	(549)	(366)	(733)
Net deferred income tax liabilities	25	—	303

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provision for impairment	Lease liabilities	Tax losses	Unrealized internal transaction gains	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:					
As at January 1, 2021	19	152	—	292	463
Credited to profit or loss	18	361	588	255	1,222
As at December 31, 2021	**37**	**513**	**588**	**547**	**1,685**
As at January 1, 2022	37	513	588	547	1,685
(Charged)/credited to profit or loss	22	(184)	418	1,345	1,601
Currency translation differences	—	—	183	—	183
As at December 31, 2022	**59**	**329**	**1,189**	**1,892**	**3,469**
As at January 1, 2023	59	329	1,189	1,892	3,469
(Charged)/credited to profit or loss	(41)	386	(1,012)	4,973	4,306
Currency translation differences	—	—	(177)	—	(177)
As at December 31, 2023	**18**	**715**	**—**	**6,865**	**7,598**

	Right-of-use assets	Total
	RMB'000	*RMB'000*
Deferred income tax liabilities:		
As at January 1, 2021	171	171
Credited to profit or loss	403	403
As at December 31, 2021	**574**	**574**
As at January 1, 2022	574	574
Charged to profit or loss	(208)	(208)
As at December 31, 2022	**366**	**366**
As at January 1, 2023	366	366
Credited to profit or loss	670	670
As at December 31, 2023	**1,036**	**1,036**

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Tax losses expiring between 2-3 years	—	—	2,503
Tax losses expiring between 3-4 years	31	2,881	812
Tax losses expiring over 4 years	4,050	4,715	11,484
	4,081	**7,596**	**14,799**

30 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	36,043	126,450	278,313
Adjustments for:			
Depreciation of property, plant, and equipment and right-of-use assets	5,698	4,387	4,543
Losses on disposal of property, plant and equipment *(Note 7)*	135	2,002	—
Net gain on disposal of a non-wholly owned subsidiary *(Note 7)*	—	—	(1)
Fair value gains on financial assets at fair value through profit or loss *(Note 7)*	(766)	(974)	(101)
Finance costs *(Note 10)*	(3,344)	(2,308)	(7,125)
Net impairment losses on financial assets and contract assets	121	143	(274)
Share-based payment expenses *(Note 23)*	—	—	1,598
Net exchange differences	19	1,740	637
Operating profit before changes in working capital	**37,906**	**131,440**	**277,590**
Changes in working capital:			
Increase in inventories	(8,287)	(11,678)	(66,111)
(Increase)/decrease in trade receivables	(15,072)	6,846	(18,688)
(Increase)/decrease in other operating assets	(18,419)	(8,770)	651
Increase/(decrease) in trade and bills payables	118,931	(5,736)	82,402
Increase/(decrease) in other operating liabilities	18,823	14,269	(2,728)
(Increase)/decrease in restricted cash	(9,530)	8,390	1,140
Cash generated from operations	**124,352**	**134,761**	**274,256**

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment and right-of-use assets comprise:

	Year ended December 31,		
	2021	2022	2023
	RMB 000	*RMB 000*	*RMB 000*
Net book amount	3,136	4,194	161,402
Deemed distribution to shareholders pursuant to the disposal of assets	—	—	(161,402)
Losses on disposal of property, plant and equipment	(135)	(2,002)	—
Proceeds from disposals of property, plant and equipment and right-of-use assets	3,001	2,192	—

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	Loans from a related party	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2021	(8,250)	(31,015)	(1,015)	(40,280)
Cash flows from financing activities	(29,925)	12,494	1,628	(15,803)
Acquisitions	—	—	(3,997)	(3,997)
Interest accrued	(1,254)	—	(31)	(1,285)
Foreign exchange adjustments	222	—	—	222
Net debt as at December 31, 2021	**(39,207)**	**(18,521)**	**(3,415)**	**(61,143)**
Cash flows from financing activities	(14,701)	18,521	1,449	5,269
Cash flows from investing activities	(44)	—	—	(44)
Acquisitions	—	—	(84)	(84)
Interest accrued	(1,833)	—	(139)	(1,972)
Foreign exchange adjustments	(744)	—	—	(744)
Net debt as at December 31, 2022	**(56,529)**	**—**	**(2,189)**	**(58,718)**
Cash flows from financing activities	14,395	—	3,698	18,093
Acquisitions	—	—	(6,147)	(6,147)
Deemed distribution to shareholders pursuant to the disposal of assets	37,323	—	—	37,323
Interest accrued	(168)	—	(129)	(297)
Foreign exchange adjustments	(25)	—	—	(25)
Net debt as at December 31, 2023	**(5,004)**	**—**	**(4,767)**	**(9,771)**

(c) Major non-cash investing and financing activities

Major non-cash investing and financing activities disclosed in other notes are:

- decreases in property, plant and equipment, land use rights and the borrowings during the year ended December 31, 2023 of approximately RMB105,397,000, RMB56,005,000 and RMB37,323,000 was regarded as deemed distributions to shareholders — Note 14, Note 15 and Note 27.

- additions to right-of-use assets in respect of warehouse and office — Note 15.

31 COMMITMENTS

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	113,502	57,434	—

32 CONTINGENCIES

As at December 31, 2021, 2022 and 2023, the Group had no material contingent liabilities outstanding.

33 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	As at December 31,
	2023
	RMB'000
At the beginning of the year	—
Additions (a)	—
Share of results of associates	*
At the end of the year	*

*: The balance represents an amount less than RMB1,000.

Set out below are the details of the associate of the Group as at December 31, 2021, 2022 and 2023.

Name of entity	Place of business/country of incorporation	% of ownership interest As at December 31, 2023	Principal activities
Zhejiang Taige Electric Co.,Ltd. 浙江泰戈電器有限公司	PRC	40%	Procurement and sales of kitchenware

(a) In September 2023, 40% shares of Zhejiang Taige Electric were transferred to a third party with a consideration of RMB nil. After completion of the transaction, Zhejiang Taige Electric was no longer the subsidiary of the Company and became an associate of the Company.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following significant transactions were carried out between the Group and its related parties during the reporting periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the years ended December 31, 2021, 2022 and 2023:

Name of related parties	Relationship with the Company
Yongkang Shijimei Trading Co., Ltd. 永康市時集美貿易有限公司 ("Shijimei")	Controlled by a close family member of Ms. Lyu
Mr. Li	A close family member of Ms. Lyu
Xinjie	Controlled by Mr. Li
Yongkang Yangxi Color Printing Packaging Factory 永康市楊溪彩印包裝廠 ("Yangxi")	Controlled by Ms. Lyu
Zhejiang Taige Electric	Associate
Zhejiang Leshengen	Controlled by the Controlling Shareholder of the Company
COMOK LIMITED (i)	Significant influenced by Mr. Zhang
Foshan Kemo Trading Co., Ltd (i) 佛山柯莫貿易有限公司 ("Foshan Kemo")	Significant influenced by Mr. Zhang

(i) COMOK LIMITED is no longer a related party of the Group due to the transfer of Mr. Zhang's shareholding since October 2023. Meanwhile, Foshan Kemo is no longer a related party of the Group since October 2023, which is controlled by COMOK LIMITED.

(b) Deemed distribution to shareholders pursuant to the Reorganization

Pursuant to an equity transfer agreement entered into among Carote HK, Denk Trade, Controlling Shareholders, and the companies controlled by the Controlling Shareholders dated August 18, 2023, the Controlling Shareholders and their companies and Denk Trade transferred their 100% equity interests in Zhejiang Carote to Carote HK for a consideration of RMB67,731,000 which was paid by Carote HK to the shareholders in cash in October 2023 (Note 1.2(c)). The consideration paid to the shareholders was regarded as deemed distributions to shareholders and recorded in capital reserves of the Group (Note 21(c)).

(c) Deemed distribution to shareholders pursuant to the disposal of assets

On December 12, 2022, Zhejiang Carote was split into two companies pursuant to Zhejiang Carote's shareholders resolution, the retained Zhejiang Carote and a newly established Zhejiang Leshengen. Both companies were directly wholly owned by the Controlling Shareholders.

Pursuant to the agreement entered into between Zhejiang Carote and Zhejiang Leshengen dated February 3, 2023, Zhejiang Carote transferred 100% equity of its then subsidiary, Zhejiang Gangle, and certain assets and liabilities to Zhejiang Leshengen (Note 22(e)).

(d) Acquisition of non-controlling interests of subsidiaries

In March 2023, Carote Global acquired 20% shareholding of Carote Australia from Mr. Zhang, the non-controlling shareholder of Carote Australia, with the cash consideration of AUD100. After this transaction, Carote Australia became a wholly owned subsidiary of the Company.

In September 2023, the Company acquired 20% shareholding of Yongkang City Carote Import and Export Co., Ltd. from Mr. Zhang, the non-controlling shareholder of Yongkang City Carote Import and Export Co., Ltd., with nil consideration. After this transaction, Yongkang City Carote Import and Export Co., Ltd. became a wholly owned subsidiary of the Company.

In December 2023, the Company acquired 20% shareholding of Carote Kitchenware India Private Limited from Ms. Lyu, the non-controlling shareholder of Carote Kitchenware India Private Limited, with nil consideration. After this transaction, Carote Kitchenware India Private Limited became a wholly owned subsidiary of the Company.

(e) Key management compensation

Key management includes executive directors and senior management of the Group.

Compensation of the key management personnel of the Group, including directors' remuneration as disclosed in Note 35, was as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	1,208	1,772	2,138
Other social security costs, housing benefits and other employee benefits	59	74	82
Share-based payment expenses	—	—	899
	1,267	**1,846**	**3,119**

(f) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
Shijimei	**2,045**	**339**	**—**
Purchases of raw materials			
Yangxi	**10,713**	**1,369**	**1,033**
Purchases of services			
Foshan Kemo	**300**	**—**	**579**
Addition to right-of-use assets resulted from lease of warehouse			
Zhejiang Leshengen	**—**	**—**	**6,019**
Payment of lease liabilities			
Zhejiang Leshengen	**—**	**—**	**2,100**
Interest expenses of lease liabilities			
Zhejiang Leshengen	**—**	**—**	**46**
Loans to a related party			
Ms. Lyu	—	1,909	—
COMOK LIMITED	319	—	—
	319	**1,909**	**—**
Repayment of loans from a related party			
Ms. Lyu	**12,494**	**18,521**	**—**
Repayment of loans to a related party			
Shijimei	—	—	4,000
Ms. Lyu	—	—	1,909
COMOK LIMITED	—	319	—
	—	**319**	**5,909**
Proceeds from related parties			
Mr. Li and Xinjie	**982**	**1,000**	**1,000**
Repayment of long-term payables on behalf of related parties *(Note 28)*			
Mr. Li and Xinjie	**1,940**	**10,520**	**—**

(g) Balances with related parties

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables (trade in nature)			
Accounts receivable			
— Shijimei	2,311	—	—
Less: allowance for credit losses	(1)	—	—
	2,310	**—**	**—**

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables (trade in nature)			
Zhejiang Leshengen	—	—	350

As at December 31, 2023, the amount of other receivables was a security deposit for lease of warehouse.

Other receivables (non-trade in nature)			
Zhejiang Taige Electric	—	—	7
Shijimei	4,000	4,000	—
Ms. Lyu	—	1,909	—
Xinjie	2,000	1,000	—
COMOK LIMITED	319	—	—
	6,319	6,909	7
Less: allowance for credit losses	—	(56)	(1)
	6,319	**6,853**	**356**

As at December 31, 2021, 2022 and 2023, these receivables were interest-free, unsecured and payable on demand.

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other payables (trade in nature)			
Shijimei	2,183	2,183	—
Other payables (non-trade in nature)			
Ms. Lyu	18,521	—	—
	20,704	**2,183**	**—**

As at 31 December 2021 and 2022, the amount of other payables to Shijimei was a deposit for sales of product

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables (trade in nature)			
Yangxi	**4,456**	**—**	**—**
Lease liabilities (trade in nature)			
Zhejiang Leshengen	**—**	**—**	**3,964**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of directors is set out below:

Name	Fees	Wages, salaries and bonuses	Share award scheme	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2021:						
Executive directors:						
Mr. Zhang	—	60	—	7	7	74
Ms. Lyu	—	—	—	—	—	—
Total:	**—**	**60**	**—**	**7**	**7**	**74**
For the year ended December 31, 2022:						
Executive directors:						
Mr. Zhang	—	120	—	6	8	134
Ms. Lyu	—	60	—	7	8	75
Total:	**—**	**180**	**—**	**13**	**16**	**209**
For the year ended December 31, 2023:						
Executive directors:						
Mr. Zhang	—	200	—	7	8	215
Ms. Lyu	—	120	—	7	9	136
Total:	**—**	**320**	**—**	**14**	**17**	**351**

Mr. Zhang and Ms. Lyu were appointed as a director in February 2023 and re-designated as an executive director of the Company in March 2024. They were also director or supervisor of the certain subsidiaries of the Company during the Track Record Period, and the Group paid emoluments to them in their capacity as the directors or supervisor before their appointment as executive directors of the Company.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the Track Record Period.

(d) Information about loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in elsewhere, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

36 SUBSEQUENT EVENTS

(a) On February 29, 2024, pursuant to the resolution passed by the shareholders of the Company, each share of a nominal or par value of US$0.01 share capital of the Company was subdivided into 20 shares of a nominal or par value of US$0.0005 each. The Company's authorized share capital became US$250,000 divided into 500,000,000 shares of a nominal or par value of US$0.0005 each.

(b) Pursuant to the resolution of the shareholders' meeting held on March 4, 2024, dividends of RMB100,000,000 were approved by the Company to shareholders.

(c) Other than the events as disclosed above, there are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to December 31, 2023 and up to the date of this report.

37 SUMMARY OF OTHER ACCOUNTING POLICIES

37.1 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

(ii) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable International Accounting Standards.

If the ownership interest in or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

37.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company and certain of its overseas subsidiaries is United States Dollars ("US$"). The functional currency of the Group's PRC subsidiaries is RMB. The Historical Financial Information is presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss on a net basis within "Other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognized in other comprehensive income.

37.3 Impairment of non-financial assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

37.4 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

- Amortized cost: Assets that are held for collection of contractual cash flows where those cashflows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other losses, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined statements of profit or loss and other comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income ("**FVOCI**") are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within in "other gains/(losses) net" in the period in which it arises.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and long-term bank time deposits, the expected credit loss risk is considered immaterial.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

37.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheets where the entity currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

37.6 Inventories

Raw materials and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

37.7 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

37.8 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are derecognized when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Foreign exchange gains and losses resulting from the borrowings denominated in foreign currencies are recognized in the consolidated statements of comprehensive income on a net basis within "Finance income — net".

37.9 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are expensed in the period in which they are incurred.

37.10 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

37.11 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

37.12 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

37.13 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

37.14 Share-based payment

The Group operates an equity-settled share-based payment plan, under which the Group receives services from eligible employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the Historical Financial Information. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

37.15 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

37.16 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

37.17 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023 and up to the date of this report.

The dividend of RMB100,000,000 declared by the Company on March 4, 2024, pursuant to the resolution of the shareholders' meeting held on March 4, 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 3, 2023 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] and will become effective on the **[REDACTED]**. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the **[REDACTED]** of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as of the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as of the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognized clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as of the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules and all applicable laws, rules and regulations, or by sending or otherwise making it available to the relevant person through such other means, whether electronically or otherwise, to the extent permitted by and in accordance with the Listing Rules and all applicable laws, rules and regulations.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognized clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as of the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as of the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is **[REDACTED]** on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on February 3, 2023 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

(a) Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on February 3, 2023. Our registered office is at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles is set out in "Appendix III — Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands — 2. Articles of Association".

Our principal place of business in Hong Kong is at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 23, 2024 with the Registrar of Companies in Hong Kong. Ms. Chan has been appointed as the Authorized Representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is the same as our Company's principal place of business in Hong Kong.

Our Company's head office is located at 21/F, Tower 2, Shanshui Shidai Building, Xiaoshan District, Hangzhou City, Zhejiang Province, China.

(b) Changes in the Share Capital

As of the date of incorporation of our Company, our authorized share capital was US$50,000, divided into 5,000,000 Shares of a nominal or par value of US$0.01.

On March 15, 2023, pursuant to written resolutions passed by our Shareholders on even date, our authorized share capital was increased to US$200,801 divided into 20,080,100 Shares of a nominal or par value of US$0.01.

On September 21, 2023, pursuant to written resolutions passed by our Shareholders on even date, our authorized share capital was further increased to US$250,000 divided into 25,000,000 Shares of a nominal or par value of US$0.01.

On February 29, 2024, pursuant to written resolutions passed by our Shareholders on even date, each Share of a nominal or par value of US$0.01 in the issued and unissued share capital of the Company was sub-divided into 20 Shares of a nominal or par value of US$0.0005 each, and the authorized share capital of the Company was accordingly amended from US$250,000 divided into 25,000,000 Shares of a nominal or par value of US$0.01 each, to US$250,000 divided into 500,000,000 Shares of a nominal or par value of US$0.0005 each.

Since the incorporation of our Company, the following changes in our Company's issued share capital were implemented:

(i) On February 3, 2023, our Company issued Shares with a par value of US$0.01 each in the following manner:

(A) 1 ordinary Share to Vistra (Cayman) Limited, which was transferred to Carote CM on even date;

(B) 499,999 ordinary Shares to Carote CM ; and

(C) 4,500,000 ordinary Shares to Yili Investment;

(ii) On March 15, 2023, Carote CM transferred 419,900 Shares with a par value of US$0.01 each to Yili Investment;

(iii) On March 15, 2023, our Company issued 15,080,100 Shares with a par value of US$0.01 each to Yili Investment;

(iv) On September 21, 2023, our Company issued 202,830 Shares with a par value of US$0.01 each to Denk Trade; and

(v) On February 29, 2024, pursuant to written resolutions passed by our Shareholders on even date, each Share of a nominal or par value of US$0.01 in the issued and unissued share capital of the Company was sub-divided into 20 Shares of a nominal or par value of US$0.0005 each.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

(c) Resolutions of Our Shareholders

As an extraordinary general meeting of our Company held on [•], 2024, resolutions of our Shareholders were passed, pursuant to which, among others:

(i) the Memorandum and Articles of Association were approved and adopted conditional upon **[REDACTED]**;

(ii) conditional upon all the conditions set out in "Structure of the **[REDACTED]** — Conditions of the **[REDACTED]**" in this document being fulfilled:

(A) the **[REDACTED]** was approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect the same as it thinks fit;

(B) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the **[REDACTED]**; and

(C) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per **[REDACTED]** with the **[REDACTED]**;

(iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the **[REDACTED]** or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by our Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceeding 20% of the number of the Shares in issue immediately following completion of the **[REDACTED]**, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest;

(iv) a general unconditional mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the **[REDACTED]**, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

(v) the general mandate mentioned in paragraph (iii) above be extended by the addition to the number of the Shares which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (iv) above.

(d) Corporate Reorganization

Certain of the companies comprising our Group underwent the Reorganization in preparation for the **[REDACTED]** of our Shares on the Stock Exchange. See "History, Reorganization and Corporate Structure" for information relating to the Reorganization.

(e) Changes in the Capital of Our Subsidiaries

Our subsidiaries during the Track Record Period are referred to in "Appendix I — Accountants' Report".

Save as disclosed in "History, Reorganization and Corporate Structure" and below, there have been no alterations in the share or registered capital of our subsidiaries taking place within two years immediately preceding the date of this document.

(i) Zhejiang Carote

On February 8, 2023, the registered share capital of Zhejiang Carote decreased from RMB30,000,000 to RMB20,000,000 subsequent to the completion of corporate division by way of split-off. For further details regarding the corporate division of Zhejiang Carote, see "History, Reorganization and Corporate Structure".

On April 14, 2023, the registered share capital of Zhejiang Carote increased from RMB20,000,000 to RMB20,080,100 due to acquisition of RMB80,100 registered share capital by way of capital increase by Luoqin Enterprise at a consideration of RMB272,340. At completion of such increase of registered share capital, Zhejiang Carote was held as to 0.40% by Luoqin Enterprise.

On June 20, 2023, the registered share capital of Zhejiang Carote increased from RMB20,080,100 to RMB20,282,929.30 due to acquisition of RMB202,829.30 of registered share capital by Denk Trade by way of capital increase at a consideration of approximately RMB686,868.70. At completion of such increase of registered share capital, Zhejiang Carote was held as to 1% by Denk Trade.

(ii) Carote Germany

On October 24, 2023, Carote Germany was established under the laws of Germany with an initial registered share capital of EUR 50,000 (which has been fully paid up), which was held as to 100% by Carote Global.

(f) Repurchase of Our Own Securities

(i) Provisions of the Listing Rules

Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(A) Shareholders' Approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution of our Company passed at an extraordinary general meeting of our Company held on [•], 2024, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the **[REDACTED]** until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first.

(B) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(C) Trading Restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the **[REDACTED]**. A listed company may not issue or announce a proposed issue of shares for a period of 30 days immediately following a repurchase of shares without the prior approval of the Stock Exchange. A listed company is also prohibited from repurchasing shares on the Stock Exchange if the repurchase would result in the number of **[REDACTED]** shares which are in the hands of **[REDACTED]** falling below the relevant prescribed minimum percentage as required by the Stock Exchange. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(D) Status of Repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed.

(E) Suspension of Repurchase

Pursuant to the Listing Rules, a listed issuer may not make any repurchases of shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed issuer's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for a listed issuer to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, a listed issuer may not repurchase shares on the Stock Exchange unless the circumstances are exceptional.

(F) Procedural and Reporting Requirements

As required by the Listing Rules, repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which a listed issuer may make a purchase of shares. The report must state the total number of shares purchased the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed issuer's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(G) Connected Parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(ii) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(iii) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this document. Our Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

(iv) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong SAR. Our Company has not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by **[REDACTED]** being reduced to less than **[REDACTED]** of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the **[REDACTED]** shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

(a) Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(i) the **[REDACTED]**.

(b) Intellectual Property Rights of Our Group

(i) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks which we consider to be material to our Group's business:

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
1	CAROTE	PRC	21	71501316	December 7, 2023	December 6, 2033	Zhejiang Carote
	CAROTE	PRC	27	72203452	December 7, 2023	December 6, 2033	Zhejiang Carote
	CAROTE	PRC	27	72694867	February 7, 2024	February 6, 2034	Zhejiang Carote
	CAROTE	PRC	21	61498041	June 7, 2022	June 6, 2032	Zhejiang Carote
	CAROTE	PRC	7	61662255	August 28, 2022	August 27, 2032	Zhejiang Carote
	CAROTE	PRC	24	60281006	April, 28, 2022	April 27, 2032	Zhejiang Carote
	CAROTE	PRC	24	60016415	April 14, 2022	April 13, 2032	Zhejiang Carote
	CAROTE	PRC	11	59760682	June 7, 2022	June 6, 2032	Zhejiang Carote
	CAROTE	PRC	21	59260992A	March 28, 2022	March 27, 2032	Zhejiang Carote
	CAROTE	PRC	31	59260992A	March, 28, 2022	March 27, 2032	Zhejiang Carote
	CAROTE	PRC	21	59101734	March 7, 2022	March 6, 2032	Zhejiang Carote
	CAROTE	PRC	20	59101699	May 14, 2022	May 13, 2032	Zhejiang Carote
	CAROTE	PRC	18	59087362	May 14, 2022	May 13, 2032	Zhejiang Carote
	CAROTE	PRC	30	57878778	January 21, 2022	January 20, 2032	Zhejiang Carote
	CAROTE	PRC	11	57008047	December 21, 2021	December 20, 2031	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	CAROTE	PRC	4	46142485	February 14, 2021	February 13, 2031	Zhejiang Carote
	CAROTE	PRC	35	30339092	October 7, 2019	October 6, 2029	Zhejiang Carote
	CAROTE	PRC	11	30098727	December 14, 2019	December 13, 2029	Zhejiang Carote
	CAROTE	PRC	21	28216411	November 28, 2018	November 27, 2028	Zhejiang Carote
	CAROTE	PRC	10	28213623	December 7, 2018	December 6, 2028	Zhejiang Carote
	CAROTE	PRC	12	28211782	December 14, 2018	December 13, 2028	Zhejiang Carote
	CAROTE	PRC	28	28205515	February 28, 2019	February 27, 2029	Zhejiang Carote
	CAROTE	PRC	20	28199353	March 28, 2019	March 27, 2029	Zhejiang Carote
	CAROTE	PRC	21	26797905	September 21, 2018	September 20, 2028	Zhejiang Carote
	CAROTE	PRC	21	23562121	March 28, 2018	March 27, 2028	Zhejiang Carote
	CAROTE	PRC	7	23562112	March 28, 2018	March 27, 2028	Zhejiang Carote
	CAROTE	PRC	8	23561619	March 28, 2018	March 27, 2028	Zhejiang Carote
	CAROTE	PRC	21	8211572	April 21, 2011	April 20, 2031	Zhejiang Carote
	CAROTE	Hong Kong	21	304185739	June 26, 2017	June 25, 2027	Carote International
	CAROTE	Indonesia	21	IDM000724042	May 15, 2020	September 27, 2028	Zhejiang Carote
	CAROTE	Malaysia	11	1617324 (designated under the Madrid Protocol)	July 30, 2021	July 30, 2031	Zhejiang Carote
	CAROTE	Malaysia	21	2018072062	January 14, 2020	October 21, 2028	Zhejiang Carote
	CAROTE	Saudi Arabia	21	1442015351	April 21, 2021	September 12, 2030	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	CAROTE	Vietnam	21	4-0397622-000	September 15, 2021	April 12, 2029	Zhejiang Carote
	CAROTE	Thailand	21	201108196	November 2, 2018	November 1, 2028	Zhejiang Carote
	CAROTE	Japan	21	6183360	September 27, 2019	September 26, 2029	Zhejiang Carote
	CAROTE	Singapore	11	1617324 (designated under the Madrid Protocol)	July 30, 2021	July 30, 2031	Zhejiang Carote
	CAROTE	Philippines	21	4/2018/00019751	April 21, 2019	April 21, 2029	Zhejiang Carote
	CAROTE	Philippines	11	1617324 (designated under the Madrid Protocol)	July 30, 2021	July 30, 2031	Zhejiang Carote
	CAROTE	India	21	3644350	September 26, 2017	September 26, 2027	Zhejiang Carote
	CAROTE	Taiwan	21	01898334	February 16, 2018	February 15, 2028	Zhejiang Carote
	CAROTE	Switzerland	8/11/21	727564	February 22, 2019	September 26, 2028	Zhejiang Carote
	CAROTE	Sweden	21	612527	January 21, 2021	November 27, 2030	Zhejiang Carote
	CAROTE	Poland	21	1516606 (designated under the Madrid Protocol)	January 14, 2020	January 14, 2030	Zhejiang Carote
	CAROTE	Iceland	21	1516606 (designated under the Madrid Protocol)	January 14, 2020	January 14, 2030	Zhejiang Carote
	CAROTE	Iceland	21	V0116466	February 15, 2021	January 14, 2030	Zhejiang Carote
	CAROTE	Germany	8/11/21	302019116042	November 24, 2020	December 9, 2029	Zhejiang Carote
	CAROTE	Germany	11	1617324 (designated under the Madrid Protocol)	July 30, 2021	July 30, 2031	Zhejiang Carote
	CAROTE	Spain	21	M3684062	March 1, 2018	March 1, 2028	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	CAROTE	Russia	21	710645	May 8, 2019	September 26, 2028	Zhejiang Carote
	CAROTE	Italy	21	302017000108485	August 14, 2018	August 14, 2028	Zhejiang Carote
	CAROTE	France	7/11/21	174392049	January 19, 2018	September 28, 2027	Zhejiang Carote
	CAROTE	United Kingdom	21	UK00003258941	December 22, 2017	September 25, 2027	Zhejiang Carote
	CAROTE	Benelux	7/11/21	1022093	September 26, 2017	September 26, 2027	Zhejiang Carote
	CAROTE	Portugal	21	588906	January 12, 2018	January 12, 2028	Zhejiang Carote
	CAROTE	Brazil	21	916172961	August 27, 2019	August 27, 2029	Zhejiang Carote
	CAROTE	Mexico	21	1835654	December 14, 2017	September 25, 2027	Zhejiang Carote
	CAROTE	United States of America	21	5698198	March 12, 2019	March 12, 2029	Zhejiang Carote
	CAROTE	United States of America	11	6908447	November 22, 2022	November 22, 2032	Zhejiang Carote
	CAROTE	United States of America	21	5228032	June 20, 2017	June 20, 2027	Zhejiang Carote
	CAROTE	United States of America	21	87516212	June 19, 2018	June 19, 2028	Zhejiang Carote
	CAROTE	Australia	21	1957780	September 26, 2018	September 26, 2028	Zhejiang Carote
2	卡罗特	PRC	7	61692059	September 21, 2022	September 20, 2032	Zhejiang Carote
	卡罗特	PRC	21	61474032	August 7, 2022	August 6, 2032	Zhejiang Carote
	卡罗特	PRC	24	60296041	July 7, 2022	July 6, 2032	Zhejiang Carote
	卡罗特	PRC	11	59748650	June 7, 2022	June 6, 2032	Zhejiang Carote
	卡罗特	PRC	20	59254245A	March 28, 2022	March 27, 2032	Zhejiang Carote
	卡罗特	PRC	21	59254245A	March 28, 2022	March 27, 2032	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	卡罗特	PRC	31	59254245A	March 28, 2022	March 27, 2032	Zhejiang Carote
	卡罗特	PRC	21	59098239	May 21, 2022	May 20, 2032	Zhejiang Carote
	卡罗特	PRC	20	59098203	May 21, 2022	May 20, 2032	Zhejiang Carote
	卡罗特	PRC	18	59095210	March 7, 2022	March 6, 2032	Zhejiang Carote
	卡罗特	PRC	30	57863271	March 28, 2022	March 27, 2032	Zhejiang Carote
	卡罗特	PRC	21	23562107	March 28, 2018	March 27, 2028	Zhejiang Carote
	卡罗特	PRC	8	23561724	March 28, 2018	March 27, 2028	Zhejiang Carote
	卡罗特	PRC	11	23561701	June 28, 2018	June 27, 2028	Zhejiang Carote
	卡罗特	PRC	7	23561468	March 28, 2018	March 27, 2028	Zhejiang Carote
	卡罗特	PRC	21	8164703	June 21, 2011	June 20, 2031	Zhejiang Carote
	卡罗特	Hong Kong	21	305083056	October 15, 2019	October 14, 2029	Carote International
3	卡羅特	Hong Kong	21	305083065	October 15, 2019	October 14, 2029	Carote International
4	有嗦厨房	PRC	8	23562517	March 28, 2018	March 27, 2028	Zhejiang Carote
		PRC	21	23561847	March 28, 2018	March 27, 2028	Zhejiang Carote
		PRC	21	21534026	November 28, 2017	November 27, 2027	Zhejiang Carote
5	CAROTE Kids	PRC	10	28203021	February 28, 2019	February 27, 2029	Zhejiang Carote
		PRC	8	28208779	February 28, 2019	February 27, 2029	Zhejiang Carote
6	ESSENTIAL WOODY by CAROTE	PRC	11	30329815	February 7, 2019	February 6, 2029	Zhejiang Carote
		PRC	21	30336919	February 7, 2019	February 6, 2029	Zhejiang Carote
7	bio green by CAROTE	PRC	21	30338759	April 21, 2019	April 20, 2029	Zhejiang Carote
8	有嗦	PRC	21	21533831	November 28, 2017	November 27, 2027	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
9	CAROTE enjoy the cooking	PRC	21	22880386	February 28, 2018	February 27, 2028	Zhejiang Carote
10	CAROTE enjoy the cooking	United States of America	21	5698199	March 12, 2019	March 12, 2029	Zhejiang Carote
11	CAROTE enjoy the cooking	United States of America	21	87516286	June 19, 2018	June 19, 2028	Zhejiang Carote
12	ESSENTIAL WOODY by CAROTE	Singapore	21	40201819338Y	September 26, 2018	September 25, 2018	Zhejiang Carote
13	ESSENTIAL WOODY by CAROTE	Australia	21	1957778	September 26, 2018	September 26, 2028	Zhejiang Carote
14	美仕麗	PRC	21	8645344	September 21, 2011	September 20, 2031	Zhejiang Carote
15	CAROTE	PRC	7, 8	71768701	February 7, 2024	February 6, 2034	Zhejiang Carote

As of the Latest Practicable Date, our Group had made applications to register the following trademarks which we consider to be material to our Group's business:

No.	Trademark	Place of application	Class	Date of application	Applicant
1	CAROTE	United Arab Emirates	21	July 3, 2023	Zhejiang Carote
2	カローテ	Japan	21	April 5, 2023	Zhejiang Carote
3	CAROTE	Canada	21	July 5, 2023	Zhejiang Carote
4	CAROTE	Egypt	21	June 21, 2023	Zhejiang Carote
5	coe.	PRC	21	April 14, 2023	Zhejiang Carote

(ii) Patents

As of the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group's business:

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
1	一種液壓機保護結構及其使用方法	PRC	Invention	ZL202010198580.5	March 20, 2020	March 19, 2040	Zhejiang Carote
2	一種移動式自動清洗設備	PRC	Utility model	ZL201820239496.1	February 10, 2018	February 9, 2028	Zhejiang Carote
3	一種噴砂機的驅動結構	PRC	Utility model	ZL201820239492.3	February 10, 2018	February 9, 2028	Zhejiang Carote
4	一種鍋體內凹面漆料塗刷設備	PRC	Utility model	ZL201820239494.2	February 10, 2018	February 9, 2028	Zhejiang Carote
5	一種物料裝箱設備	PRC	Utility model	ZL201820239490.4	February 10, 2018	February 9, 2028	Zhejiang Carote
6	一種流水線用局部噴漆裝置	PRC	Utility model	ZL201820239501.9	February 10, 2018	February 9, 2028	Zhejiang Carote
7	一種流水線用自動拋光機	PRC	Utility model	ZL201820239493.8	February 10, 2018	February 9, 2028	Zhejiang Carote
8	一種拉伸機的自動取料結構	PRC	Utility model	ZL201820239500.4	February 10, 2018	February 9, 2028	Zhejiang Carote
9	一種噴砂機的物料放置結構	PRC	Utility model	ZL201820239499.5	February 10, 2018	February 9, 2028	Zhejiang Carote
10	一種噴料快速均勻的自動噴塗槍	PRC	Utility model	ZL202121729690.6	July 28, 2021	July 27, 2031	Zhejiang Carote
11	防燙傷鍋蓋	PRC	Utility model	ZL202122080602.0	August 31, 2021	August 30, 2031	Zhejiang Carote

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
12	一種便於使用的攻絲設備	PRC	Utility model	ZL202122698809.4	November 5, 2021	November 4, 2031	Zhejiang Carote
13	一種數控加工用廢料收集裝置	PRC	Utility model	ZL202123228609.9	December 21, 2021	December 20, 2031	Zhejiang Carote
14	一種瀝水架	PRC	Utility model	ZL202123323756.4	December 27, 2021	December 26, 2031	Zhejiang Carote
15	琺瑯奶鍋	PRC	Design	ZL202130478186.2	July 27, 2021	July 26, 2036	Yongkang City Carote
16	琺瑯淺湯鍋	PRC	Design	ZL202130478170.1	July 27, 2021	July 26, 2036	Yongkang City Carote
17	琺瑯湯鍋	PRC	Design	ZL202130478181.X	July 27, 2021	July 26, 2036	Yongkang City Carote
18	煎鍋（OP系列）	PRC	Design	ZL202130722052.0	November 3, 2021	November 2, 2036	Yongkang City Carote
19	奶鍋（OP系列）	PRC	Design	ZL202130722056.9	November 3, 2021	November 2, 2036	Yongkang City Carote
20	瀝水架	PRC	Design	ZL202130765669.0	November 19, 2021	November 18, 2036	Yongkang City Carote
21	煎鍋（哈哈鍋系列）	PRC	Design	ZL202230287427.X	May 16, 2022	May 15, 2037	Yongkang City Carote
22	湯鍋（哈哈鍋系列）	PRC	Design	ZL202230287428.4	May 16, 2022	May 15, 2037	Yongkang City Carote
23	奶鍋（哈哈鍋系列）	PRC	Design	ZL202230288089.1	May 16, 2022	May 15, 2037	Yongkang City Carote
24	煎鍋（奶鍋ins系列）	PRC	Design	ZL202230532378.1	August 15, 2022	August 14, 2037	Yongkang City Carote

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
25	湯鍋（Paris系列）	PRC	Design	ZL202230532374.3	August 15, 2022	August 14, 2037	Yongkang City Carote
26	煎盤（Paris系列）	PRC	Design	ZL202230532375.8	August 15, 2022	August 14, 2037	Yongkang City Carote
27	奶鍋（Paris系列）	PRC	Design	ZL202230532377.7	August 15, 2022	August 14, 2037	Yongkang City Carote
28	煎炒鍋（奶鍋、煎鍋ins系列）	PRC	Design	ZL202230648750.5	September 29, 2022	September 28, 2037	Yongkang City Carote
29	料理鍋（多功能）	PRC	Design	ZL202230723611.4	October 31, 2022	October 30, 2037	Yongkang City Carote
30	手柄（可拆卸）	PRC	Design	ZL202330167890.5	March 31, 2023	March 30, 2038	Yongkang City Carote
31	手柄	PRC	Design	ZL202330197557.9	April 12, 2023	April 11, 2038	Yongkang City Carote
32	煎盤	PRC	Design	ZL202330197564.9	April 12, 2023	April 11, 2038	Yongkang City Carote
33	煎盤（可拆卸）	PRC	Design	ZL202330197561.5	April 12, 2023	April 11, 2038	Yongkang City Carote

(iii) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be material to our Group's business:

No.	Copyright	Place of registration	Type	Registration number	Date of registration	Date of expiry	Registered owner(s)
1	怪獸小夥伴 . . .	PRC	Work	浙作登字-2023-F-00021566	July 31, 2023	December 31 of the 50th year after the first publication date	Zhejiang Carote
2	卡通小人系列畫.	PRC	Work	浙作登字-2022-F-00022024	June 28, 2022	December 31 of the 50th year after the first publication date	Zhejiang Carote
3	卡卡龍組圖 . . .	PRC	Work	浙作登字-2021-F-00036149	November 10, 2021	December 31 of the 50th year after the first publication date	Zhejiang Carote

(iv) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain name which we consider to be material to our Group's business:

Domain name	Registered owner	Date of expiry
www.mycarote.com	Zhejiang Carote	May 26, 2030

Saved as disclosed above, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights or individual property rights which are or may be material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Disclosure of Interests

(i) Interests and Short Positions of Our Directors in the Share Capital of Our Company and its Associated Corporations Following Completion of the [REDACTED]

Immediately following completion of the **[REDACTED]** (without taking into account the Shares to be allotted and issued upon the exercise of the **[REDACTED]**), the interests and/or short positions (as applicable) of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") once our Shares are **[REDACTED]**, will be as follows:

(A) Interest in the Shares

Name of Director	Nature of Interest[1]	Number of Shares Interested [REDACTED]	Approximate Percentage of Shareholding [REDACTED]
Mr. Zhang[2], [3]	Interest in controlled corporation	[401,602,000]	**[REDACTED]**
Ms. Lyu[2]	Interest in controlled corporation; interest of the spouse	[400,000,000]	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) This includes 400,000,000 Shares held by Yili Investment. Yili Investment is held as to 55% by Yili Capital and 45% by Guodong Capital whereas Yili Capital is in turn wholly-owned by Ms. Lyu and Guodong Capital is in turn wholly-owned by Mr. Zhang. Each of Mr. Zhang, Ms. Lyu, Guodong Capital and Yili Capital is deemed to be interested in the same number of Shares that are held by Yili Investment under the SFO.

(3) This includes 1,602,000 Shares held by Carote CM, whereby its general partner Guodong Capital is a company wholly-owned by Mr. Zhang. Each of Guodong Capital and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Carote CM under the SFO.

(ii) Interests and Short Positions of the Substantial Shareholders in the Shares and Underlying Shares of Our Company

Save as disclosed in "Substantial Shareholders", our Directors and chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are **[REDACTED]**, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

(iii) Interests of the Substantial Shareholder of Any Member of Our Group (Except Our Company)

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]**) be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (except our Company).

(b) Particulars of Service Contracts and Appointment Letters

(i) Executive Directors

Each of our executive Directors has entered into a service contract with our Company under which they agreed to act as our executive Directors for an initial term of three years commencing from the **[REDACTED]**, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company. Our executive Directors' remuneration will comprise of a fixed amount of approximately RMB240,000 per year, and performance-based compensation linked to certain key performance indicators. The specific terms of the key performance indicators will be determined by the Board each year with reference to the Group's development strategies.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(ii) Independent Non-executive Directors

Each of our independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the **[REDACTED]**. Under their respective appointment letters, each of our independent non-executive Directors is entitled to a fixed

Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles. Our independent non-executive Directors' remuneration will be a fixed amount of approximately HK$240,000 per year.

(iii) Others

(A) Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(B) The aggregate amount of remuneration (including, among others, basic salaries, housing allowances, other allowances and benefits in kind, contributions to social insurance and housing funds and discretionary bonus) paid to our Directors in the years ended December 31, 2021 and 2022 and 2023 was approximately RMB74,000, RMB209,000 and RMB351,000, respectively. For details of our Directors' remuneration, see "Appendix I — Note 36 of the Accountants' Report";

(C) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Directors for the year ending December 31, 2024 is estimated to be approximately RMB1.7 million;

(D) None of our Directors or any past Directors of any members of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group;

(E) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period;

(F) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director, or otherwise for services rendered by him/her in connection with the promotion or formation of our Company.

(c) Fees or Commissions Received

Save as disclosed in this document, none of our Directors or any of the persons whose names are listed in "— Other Information — (k) Consent of Experts" had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

(d) Miscellaneous

Save as disclosed in this document:

(i) none of our Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are **[REDACTED]** on the Stock Exchange;

(ii) none of our Directors nor any of the parties listed in "— Other Information — (k) Consent of Experts" has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors nor any of the parties listed in "— Other Information — (k) Consent of Experts" is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iv) other than pursuant to the **[REDACTED]**, none of the parties listed in "— Other Information — (k) Consent of Experts":

(A) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

(B) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(v) none of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our number of issued shares) has any interest in our five largest suppliers or our five largest customers.

(e) Employee Incentive Scheme

We adopted an employee incentive scheme through the establishment of our predecessor employee shareholding platform, Luoqin Enterprise on February 28, 2023 and by way of entry into of the Employee Investment Agreements (namely the "**Employee Incentive Scheme**"). Through the Reorganization, the interests held by the Key Employees in Luoqin Enterprise were exchanged for interests held by them in our present Employee Shareholding Platforms. Pursuant to the Limited Partnership Agreement, the terms of the Employee Incentive Scheme were (as amended and restated to accommodate the change of employee shareholding platform from Luoqin Enterprise to Luo Qin Investment and Carote CM) adopted for Carote CM, a limited partnership that directly holds interests in our Company. A summary of the principal terms of the Employee Incentive Scheme are set out further below.

Given that the interests held by the Key Employees in our Company pursuant to the Employee Incentive Scheme are now held through their existing interests in Luo Qin Investment and Carote CM, and the Shares held by Carote CM have already been issued, there will not be any dilution effect to the issued Shares upon the vesting of interests (which shall take the form of release from certain lock-up restrictions) under the Employee Incentive Scheme.

(i) Objectives of our Employee Incentive Scheme

The purpose of the Employee Incentive Scheme is to incentivize certain key employees for our Group and retain them for continuing service for development of our Group. Other than the Key Employees, there are no other participants in the Employee Incentive Scheme as of the Latest Practicable Date.

(ii) Partnership Interests

The participants of the Employee Incentive Scheme are the Key Employees. Under the Employee Incentive Scheme, the Key Employees subscribed for interests in Luo Qin Investment (the "**Partnership Interests**"), which in turn holds limited partnership interests in Carote CM. Carote CM holds Shares in the Company. Through holding such Partnership Interests, the Key

Employees indirectly obtained interests in the underlying Shares of our Company pursuant to the Employee Incentive Scheme (the "**Underlying ESOP Shares**"). Pursuant to the Limited Partnership Agreement, Guodong Capital, as general partner, has the exclusive responsibility for the management, operation and administration of Carote CM and its business and affairs, and any rights exercised by the Key Employees, which are treated as limited partners in Carote CM for the purposes of the Limited Partnership Agreement, must be exercised in accordance with the direction of Guodong Capital (unless otherwise specifically provided under the terms of the Employee Incentive Scheme or the Limited Partnership Agreement).

(iii) Eligibility

Other than the Key Employees, there are no other participants to the Employee Incentive Scheme as of the Latest Practicable Date. The Key Employees were selected as participants to our Employee Incentive Scheme based on various considerations, including their work performance, job seniority and years of service.

(iv) Unlocking arrangement

The Partnership Interests and Underlying ESOP Shares held by each Key Employee are subject to certain lock-up restrictions (the "**ESOP Lock-up**"). These include restrictions on transfer of such Partnership Interests held by them to any third parties unless the prior consent of the general partner of Luo Qin Investment (being Guodong Capital, which is solely held by and controlled by Mr. Zhang) is first obtained, the creation of encumbrances on such Partnership Interests, the use of such Partnership Interests for the purposes of repayment of debt, and such other customary restrictions. The dates on which such lock-up restrictions shall cease to apply to such relevant portions of the Partnership Interests held by each Key Employee and corresponding Underlying ESOP Shares (each an "**Unlocking Date**") are as follows:

	Unlocking Date	Proportion of Partnership Interest unlocked
First Unlocking Date	The date falling one calendar year immediately after the **[REDACTED]**	20%
Second Unlocking Date	The date falling two calendar years immediately after the **[REDACTED]**	an additional 30%
Third Unlocking Date	The date falling three calendar years immediately after the **[REDACTED]**	an additional 50%

(v) Rights of the Key Employees in relation to the Partnership Interests under the Employee Incentive Scheme

In the event that any Key Employee wishes to dispose of such amount of Partnership Interests that have ceased to be subject to the ESOP Lock-up pursuant to the terms of the Employee Incentive Scheme and therefore considered to be vested ("**Unlocked ESOP Shares**"), Guodong Capital, as the general partner of Luo Qin Investment, shall assist such Key Employee by arranging for disposal of such Partnership Interests (which shall be transferred to the general partner or to such other third party designated by it, or otherwise repurchased by Luo Qin Investment) and corresponding Unlocked ESOP Shares (which shall be sold on the **[REDACTED]**) in accordance with the applicable rules and regulations for **[REDACTED]** on the **[REDACTED]** at such relevant time.

(vi) Termination of participation in the Employee Incentive Scheme

In the event of any of the following, a Key Employee may become obliged to transfer all the Partnership Interests held by them to Guodong Capital (or its successor as general partner in Carote CM) or such other third party designated by Guodong Capital, or to Luo Qin Investment by way of repurchase:

(1) violation of any non-competition obligations by such Key Employee under the terms of his / her employment with the Group;

(2) such Key Employee having engaged in any illegal activities which may have exposed him / her to administrative or criminal liability;

(3) the occurrence of any of the following:

- a serious violation of the Company's internal policies by such Key Employee;
- the failure to adhere to professional ethics standards by such Key Employee;
- leakage of confidential information regarding the Group by such Key Employee; or
- causing damage to the interests, reputation and image of the Company through negligence or dereliction of duty or violating public morals, professional ethics and professional integrity;

(4) carrying out any unauthorized transfer or disposition of Partnership Interests;

(5) public censure or declaration of unsuitability for a period less than 3 years having been issued by the CSRC or such competent securities regulator(s) or other applicable jurisdictions or such stock exchanges to such Key Employee;

(6) receipt of administrative penalties by such Key Employee from the CSRC or such competent securities regulator(s) or other applicable jurisdictions or such stock exchange(s) in relation to major violations of laws and regulations at any time during the last three (3) calendar years immediately preceding the Latest Practicable Date;

(7) such Key Employee having lost their ability to work or becoming deceased;

(8) violation by such Key Employee of the provisions of the Employee Incentive Scheme or the Limited Partnership Agreement; or

(9) termination of employment by such Key Employee with the Group (including both voluntary resignation or involuntary termination) prior to the one year anniversary of the **[REDACTED]**.

Where a Key Employee is obliged to transfer all of its Partnership Interests due to any of the circumstances as set out in sub-paragraphs (1) to (8) above, the transfer price or repurchase price for such Partnership Interests shall be the capital contributions corresponding to such Partnership Interests held at such relevant time, subtracted by all proceeds obtained by such Key Employee derived from their holding of such Partnership Interests (including, but not limited to, dividends and proceeds from sale of any Partnership Interests, if any) since the commencement of their participation in the Employee Incentive Scheme.

Where a Key Employee is obliged to transfer all of its Partnership Interests due to the circumstances as set out in sub-paragraph (9) above, the transfer price or repurchase price shall be the capital contributions corresponding to such Partnership Interests held at such relevant time multiplied by the Relevant Factor, subtracted by all proceeds obtained by such Key Employee derived from their holding of such Partnership Interests (including, but not limited to, dividends and proceeds from sale of any Partnership Interests, if any) since the commencement of participation by that Key Employee in the Employee Incentive Scheme. For such purposes, "**Relevant Factor**" is calculated as follows:

1 + 5% multiplied by T/360

where "T" represents the actual number of days which have elapsed since the commencement of participation by that Key Employee in the Employee Incentive Scheme.

For avoidance of doubt, upon the transfer of all such Partnership Interests by such Key Employee under the abovesaid circumstances, such Key Employee shall also cease to hold any interest whatsoever in any Underlying ESOP Shares, whether vested or not, associated with such Partnership Interests.

(vii) Exit from the Employee Incentive Scheme

Subject to a Key Employee complying with the terms of the Employee Incentive Scheme, should a Key Employee resign from his or her position in the Group at any time following the one year anniversary of the **[REDACTED]**, subject to the applicable rules and regulations, Guodong Capital will sell all Unlocked ESOP Shares associated with the Partnership Interests held by such Key Employee at the prevailing **[REDACTED]** price within one (1) month of the date of departure of such Key Employee from his or her employment with the Group. Within ten calendar days after such sale of Unlocked ESOP Shares and receipt of such proceeds by Carote CM, Carote CM shall remit such proceeds to the relevant Key Employee. The Partnership Interests held by such Key Employee shall also be disposed of by way of transfer to Guodong Capital (in its capacity as general partner) or to such other third party as it may direct, or be repurchased by Luo Qin Investment, at a transfer or repurchase price based on the capital contributions corresponding to such Partnership Interests held at such relevant time multiplied by the Relevant Factor, subtracted by all proceeds obtained by such Key Employee derived from their holding of such Partnership Interests (including, but not limited to, dividends and proceeds from sale of any Partnership Interests, if any) since the commencement of participation by that Key Employee in the Employee Incentive Scheme.

After the **[REDACTED]**, a Key Employee that maintains their employment with the Group may also at anytime request Guodong Capital (in its capacity as general partner) to arrange for the disposal of any Partnership Interests whose Underlying ESOP Shares are not yet vested. In such circumstances, the consideration for such disposal shall be calculated as if such portion of Partnership Interests are required to be transferred in the event of termination of employment prior to the one year anniversary of the **[REDACTED]**.

(viii) Details of Partnership Interests and Underlying ESOP Shares held by the Key Employees

As of the Latest Practicable Date, pursuant to the Employee Incentive Scheme the aggregate number of Underlying ESOP Shares underlying the Partnership Interests granted to the Key Employees amounted to 1,600,000 Shares, representing approximately **[REDACTED]**% of our Company's total issued share capital immediately prior to the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). For the avoidance of doubt, none of the Underlying ESOP Shares are vested in the Key Employees as of the Latest Practicable Date.

Details of the Partnership Interests and Underlying ESOP Shares held by the Key Employees pursuant to the Employee Incentive Scheme as of the Latest Practicable Date are set out below:

Name of Key Employee	Roles with our Company	Partnership Interest held in Luo Qin Investment (approximate)	Number of Underlying ESOP Shares associated with Partnership Interest held (approximate)
Mr. Zhang Jincai	Senior project manager of our supply chain management department	43.75%	700,000
Mr. Xia	Executive director and chief operating officer for China	18.75%	300,000
Ms. Meng	Financial director	25%	400,000
Ms. Xue	Chief operating officer for North America	12.50%	200,000
Total		**100%**	**1,600,000**

OTHER INFORMATION

(a) Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(b) Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

(c) Application for [REDACTED]

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for **[REDACTED]**. All necessary arrangements have been made to enable such Shares into **[REDACTED]**.

(d) No Material Adverse Change

Our Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since December 31, 2023 (being the dated to which the latest audited consolidated financial statements of our Group were prepared) up to the date of this document.

(e) Agency Fees and Commissions Received

The **[REDACTED]** will receive an **[REDACTED]** as referred to in the section headed **[REDACTED]**.

(f) The Joint Sponsors' Fees

Each of the Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by our Company to the Joint Sponsors to act as sponsors to our Company in connection with the **[REDACTED]** is US$1 million.

(g) Preliminary Expenses

We have not incurred any material preliminary expenses.

(h) Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

(i) Taxation of Holders of Shares

(A) Hong Kong

The sale, purchase and transfer of shares registered with our **[REDACTED]** will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.10% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(B) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in our Company as long as we do not hold any interest in land in the Cayman Islands and save that Cayman Islands stamp duty may be payable if the original documents are executed in, brought to, or produced before a court of the Cayman Islands.

(C) People's Republic of China

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors — Risks Relating To Our Business and Industry — We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment".

(D) Consultation with Professional Advisors

Potential investors in the **[REDACTED]** are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of **[REDACTED]** our Shares (or **[REDACTED]** attached to them). None of our Company, our Directors or the other parties involved in the **[REDACTED]** accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

(j) Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
BNP Paribas Securities (Asia) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
CMB International Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
King & Wood Mallesons	Legal advisors to our Company as to PRC laws
Harney Westwood & Riegels	Legal advisors to our Company as to Cayman Islands laws
China Insights Industry Consultancy Limited	Independent industry consultant
Acclime Tax Advisory (Hong Kong) Limited	Transfer pricing consultant

(k) Consent of Experts

Each of the experts mentioned in "— Other Information — (j) Qualification of Experts" has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document in the form and context in which it is respectively included.

(l) Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

(m) Bilingual Document

The English and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

MISCELLANEOUS

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

 (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

 (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

 (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

 (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

 (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Save as disclosed in this document, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared) up to the date of this document;

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(d) The **[REDACTED]** of our Company will be maintained in the Cayman Islands by our **[REDACTED]**. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by **[REDACTED]**.

(e) All necessary arrangements have been made to enable our Shares to be admitted into **[REDACTED]** for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — (k) Consent of Experts"; and

(b) copies of the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about Our Business — (a) Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.mycarote.com** during a period of 14 days from the date of this document:

(a) the Memorandum and the Articles of Association;

(b) the Accountants' Report of our Group prepared by PricewaterhouseCoopers, the text of which are set out in Appendix I;

(c) the report issued by PricewaterhouseCoopers in relation to the unaudited **[REDACTED]** financial information of our Group, the text of which is set out in Appendix II;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2021 and 2022 and 2023;

(e) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters of our Group and the property interests of our Group;

(f) the letter of advice prepared by our Cayman Legal Counsel, our legal advisor on Cayman Islands law, summarising certain aspects of the Cayman company law referred to in Appendix III;

(g) the report issued by China Insights Industry Consultancy Limited from which information in "Industry Overview" is extracted;

(h) the report issued by Acclime Tax Advisory (Hong Kong) Limited in respect of the transfer pricing assessment;

(i) the Cayman Companies Act;

(j) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — (k) Consent of Experts";

(k) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about Our Business — (a) Summary of Material Contracts"; and

(l) the service contracts and the appointment letters with our Directors referred to in "Appendix IV — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders — (b) Particulars of Service Contracts and Appointment Letters".